Dynamise les entreprises sénégalaises

# CASE STUDY N°003

# *DAKAR WOMEN'S SAVINGS & LOANS NETWORK (RECEC)*

***Seynabou Diop at her desk***

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# DAKAR WOMEN'S SAVINGS & LOANS NETWORK (RECEC)

> Microfinance, an ancient phenomenon in the member states of the West African Monetary Union (UMOA), is in the midst of rapid expansion. This development is accompanied by signs of fragility that necessitate the adoption of measures by practitioners in the sector…. The dysfunctions that began to appear in 1998 have brought the sector's vulnerability to the forefront, drawing attention to the necessity of working together to reinforce the sector's professionalization and improve risk management.
>
> – Central Bank of West African States, Dakar, December 2002

Seynabou Diop closed the 2002 year-end financial report on her desk and took a deep breath. The din of Dakar traffic as people returned home from work drifted into her office at the headquarters of the Dakar Women's Savings and Loan Network (RECEC). Seynabou still needed to prepare for tomorrow's meeting with the network's The Board of Directors, where a strategic plan would be developed for 2003. She had become accustomed to working late since assuming the role of Network Coordinator over a year ago.

While this latest financial report (see Exhibit 1, Financial Results) showed a moderate improvement over last year, RECEC's overall performance still would not meet the standards for recognized microfinance organizations as set by the Senegalese Ministry of Finance. These results, combined with the internal conflicts that had taken root since RECEC's professionalization process began last year, troubled her. Would RECEC be able to survive as a newly autonomous microfinance network? Would the Ministry of Finance give RECEC more time to reinforce the formal processes and organizational controls necessary for a healthy microfinance institution? Would the decentralized RECEC staff be able to rise to the new management challenges? Would RECEC succeed in attracting the investments necessary to continue lending to Dakarois micro-entrepreneurs?

Seynabou reflected on the transformation of RECEC – from its modest start in a low-income neighborhood of Dakar 15 years ago, to its recent attempts to professionalize – and the challenges confronting it today, at the beginning of 2003. Seynabou asked herself, "What steps can we take in 2003 to make sure RECEC survives as a strong, sustainable microfinance institution?"

## The Global Context of Microfinance

Microfinance – the provision of credit and savings services to the poor – began taking root as a recognizable movement in the 1980s in numerous countries around the globe. The practice evolved in response to an unmet need for access to credit and savings instruments by the very poor. Small loans could be used, for example, by peddlers to purchase larger quantities of wholesale goods at more economical rates, by a micro-entrepreneur to invest in a productive asset, or by families to smooth consumption or safeguard a business asset during a health emergency. Savings mechanisms also proved beneficial to the poor, providing a secure, reliable location for small surpluses and encouraging a culture of saving, including financial planning for family ceremonies, education, investments and other anticipated and unanticipated expenditures.

In many countries, particularly less-developed countries, the formal banking sector was distinctly inaccessible to lower, and oftentimes many middle, class people. High initial savings deposits, hefty account maintenance fees, minimum loan sizes on a scale unimaginable to micro-entrepreneurs, and extensive collateral requirements alienated a vast portion of the population. It was widely assumed that the poor had no need for savings services and were neither able nor willing to repay loans, especially at the interest rates that would be required to cover the costs of such small transactions. Once these assumptions were disproved, however, the microfinance sector began to blossom.

By the year 1999 the worldwide microfinance sector comprised more than 1,500 formal organizations in 85 countries, serving at least 54 million individuals, and mobilizing over $18 billion (10 trillion FCFA[1]) in loan capital each year.[2] The sector, however, had begun to show signs of strain. Donors, who had passionately touted microfinance just a few years earlier, became restless or impatient with institutions expecting permanent subsidies and began insisting that they become financially sustainable. Meanwhile, many microfinance institutions had grown quickly and exponentially, and as a result were in need of more stringent monitoring and management, both to protect their clients' resources and to maintain their own liquidity.

Thus at the end of the 1990s, a trend emerged among many microfinance practitioners to establish operational efficiencies, develop professional management practices and set full-cost-recovery interest rates, among other elements, in order to render the institutions – if not profitable – at least sustainable. The question of how best to ensure the financial sustainability of a microfinance institution, preferably without losing sight of the original social aims, was still under debate at the beginning of 2003. No single model or approach was deemed perfect, but certain qualities common to successful institutions were identifiable. The industry buzzword "professionalization" involved the adoption of these apparently successful characteristics.

## Microfinance in Senegal

### *The Formal Banking Sector*

Senegalese commercial banks catered to large enterprises and upper income households. Although commercial interest rates on loans to individual enterprises in 2002 were relatively affordable at about 16% per year, the conditions for a loan included a period of observation, proven profitability of the enterprise and numerous guaranties, including collateral and pledging of business assets. On the savings side, individuals were required to deposit a

[1] US$ amounts given reflect an early 2003 exchange rate of approximately 600 FCFA to US$1.
[2] *Distribution, Growth, and Performance of Microfinance Institutions in Africa, Asia, and Latin America.* Lapenu, Cecile and Zeller, Manfred. International Labor Organization, Discussion Paper #114, 1999. www.ifpri.org/divs/fcnd/dp.htm.

minimum $166 (100,000 FCFA) to open a savings account and enterprises no less than $833 (500,000 FCFA). As a result, the majority of Senegalese have never set foot in a bank.

***Banking Alternatives***
Given the inaccessibility of formal banks, Senegal possessed a long history of informal credit and savings mechanisms. Women's *tontines*,[3] traditional moneylenders, and Mauritanian-run neighborhood food *boutiques*, for instance, had offered the average person access to credit and savings for many years. Each of these carried unique risks – such as social commotion when a *tontine* member absconded with other's savings, inability to pay usurious rates, or the loss of savings due to sudden regional conflict. Although these informal banking mechanisms certainly had not disappeared by 2003, many had been supplanted by an emerging microfinance sector in Senegal.

***Growth of the Microfinance Sector***
Microfinance organizations began appearing in Senegal in the 1980s, and proliferated across the country during the 1990s. By 2001 there were about 121 recognized institutions serving over 300,000 clients, with approximately $33 million (20 billion FCFA) in outstanding credit, $31 million (18.5 billion FCFA) in deposits,[4] and at least 4,000 jobs created.[5] The microfinance networks that played the most formative roles in the Dakar market were known by their acronyms: ACEP, RECEC-ENDA, CMS, PAMECAS and UNACOIS.

- *ACEP*. In 1986, the United States Agency for International Development (USAID) launched a microfinance project in the region of Kaolack, along with health, literacy and a variety of other development activities. The microfinance project known as the Alliance for Credit and Savings for Production (ACEP) became an autonomous Dakar-based credit union in 1996. At the end of 2002 ACEP was fully self-sufficient, with more than $17.5 million (10.5 billion FCFA) in current loans, mobilizing $2.7 million (1.6 billion FCFA) in savings and serving 40,000 members.

- *RECEC-ENDA*. The development organization called Environment Development Action – Groups Research Action Formation (ENDA-GRAF), a branch of ENDA *Tiers Monde*, supported the opening of a small savings and credit operation in Dakar in 1987. This first "*caisse"* spawned 16 more, leading to the network that became known as RECEC in the late 1990s. At the end of 2002, RECEC had a current loan portfolio of $590,000 (354 million FCFA), savings deposits worth $690,000 (413 million FCFA) and 28,000 members.

- *CMS*. The Credit Union of Senegal (CMS) began its saving and credit operations in 1988 with the financing of La Cooperation Française and the support of the International Center of Mutual Credit (CICM), a French association of credit unions. At the end of 2002 CMS had a broad national network with $12.5 million (7.5 billion

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[3] Informal, self-selected groups, usually of ten or fewer individuals, often women, who pool savings and take turns borrowing the resulting capital; also known as *paris* or *susus* in West Africa.
[4] Databank on Decentralized Financial Systems 2000. Central Bank for West African States, May 2002.
[5] *The Network Issue in the Micro-Finance Sector in Senegal.* REMIX SARL. Report requisitioned by Dyna Enterprises, June 2001.

FCFA) in outstanding loans, $27 million (16 billion FCFA) in current savings and more than 150,000 members.

- *PAMECAS*. The Union of Mutuals of the Partnership for the Mobilization of Savings and Credit in Senegal (PAMECAS) was launched in 1995 under a Canadian bilateral project implemented by Desjardins International Development (DID), a subsidiary of the *Mouvement Desjardins,* a large financial cooperative in Quebec Canada. With DID following its proven model of credit union replication, PAMECAS grew quickly and by the end of 2002, had a loan portfolio of $9.2 million (5.5 billion FCFA), savings deposits of $10.8 million (6.5 billion FCFA) and over 100,000 members.

- *UNACOIS*. Local merchants, farmers and artisans created the National Union for Merchants and Industrial Organizations of Senegal (UNACOIS) in 1989 to serve as an interface between its members and the government. In 1996 UNACOIS began opening credit unions to provide members with financial services. At the end of 2002 UNACOIS boasted a loan portfolio worth $3.3 million (2 billion FCFA), over $5 million (3 billion FCFA) in savings and 30,000 members.

By 2000, ACEP, CMS and PAMECAS were the top three microfinance organizations in Senegal in terms of both number of members and volume of credit. The three institutions combined dominated nearly 80% of the total microfinance market.

***Microfinance Terms and Rates***

Most Senegalese microfinance institutions were organized as credit unions, requiring would-be clients to join as members. Each member purchased a "share" of the organization when s/he joined, and although such shares did not typically appreciate, this contribution was refundable if and when the member decided to close his/her account. The organizations also assessed a nonrefundable administrative fee and required a minimum savings deposit. The combination of these three initial requirements averaged about $13 (8,000 FCFA) in 2002 whereas the minimum savings requirement ranged from $1 (500 FCFA) to $10 (6,000 FCFA), and was about $4 (2,500 FCFA) on average.

A savings history with the organization was mandatory prior to a first loan. Loan sizes generally ranged from $8 (5,000 FCFA) to $1,700 (1 million FCFA) for an individual borrower, with terms averaging three to twenty-four months. A security deposit was commonly required as a loan guarantee and some organizations required collateral. Taking into account all the applicable fees and deposits, the effective annual lending rate was 24% on average, although nominal rates (not counting the fees) were much lower. By comparison, the "usury rate," or interest rate cap set by the UEMOA for mutual savings and credit associations, was 27%, while the usury rate for commercial banks was 18%.[6]

***Regulation***

The Central Bank of West African States (BCEAO) passed a law on decentralized financial systems, namely credit unions and other cooperative savings and loan institutions, in 1995.

[6] Dyna Enterprises, 2003.

This law was developed by a BCEAO group called the Project for the Support and Regulation of Credit-Savings Mutuals (PARMEC). Its application to relevant institutions in Senegal was supported by a savings and credit technical assistance group known as "AT/CPEC," (*Assistance Technique aux Caisses Populaires d'Epargne et de Crédit*), based at the Senegalese Ministry of Finance. The purpose of the PARMEC law was to protect members of decentralized savings and credit systems.

Among other things, the law set forth the organizational structure, governing bodies, accounting practices and financial ratios to which West African microfinance institutions had to subscribe. The law further stipulated that all organizations involved in the provision of savings and/or credit services must obtain an "agreement", "recognition", or "collective agreement" from the Ministry of Finance in order to legally operate. All authorized organizations were required to submit a detailed financial report to the Ministry each June, including the required ratios calculated for the previous year. Unrecognized institutions could not apply for government financial assistance or special programs and were generally unable to access lines of credit.

Due to fiscal and operational constraints, however, the Ministry had not been able to fully institute its regulations and a backlog of applications for agreement or recognition had been created. Therefore, while many microfinance institutions waited for authorization, they continued to operate and had already begun submitting annual reports to the Ministry. The AT/CPEC was theoretically available to assist those organizations that did not meet the required financial standards. But the Ministry did occasionally find cause to forcibly restructure or even dissolve microfinance organizations experiencing drastic under-performance or mismanagement.

## RECEC

### *Description in 2003*

At the start of 2003, RECEC was comprised of 17 small banks, or *caisses*, located in the working class neighborhoods of greater Dakar. Each *caisse* ran three to five local cash desks, or "*guichets*," often situated in markets. The *caisses* were held together as a network by a central administrative body, which was managed by Seynabou Diop in collaboration with the network's President Oumy Diop, the Board of Directors, Credit Committee and Surveillance Council.

RECEC had approximately 28,000 members, $590,000 (354 million FCFA) in current loans, and $690,000 (413 million FCFA) in savings deposits. About 71% of RECEC's members were women or women's groups, 28% were men or men's groups, and 1% of members were mixed gender groups. RECEC required that new members purchase a $7 (4,000 FCFA) share in the organization (refundable on exit) and pay a nonrefundable $2.50 (1,500 FCFA) registration fee. The minimum savings deposit was $3 (2,000 FCFA). Loans ranged from $40 (25,000 FCFA) to $830 (500,000 FCFA) with short terms of one to twelve months.

The 17 *caisses* had received legal authorization from the Senegalese Ministry of Finance and each had submitted annual financial reports since 1998. However RECEC had not yet been legally authorized to operate as a federated credit union network although it had already organized a constitutive General Assembly for the federated structure.

***History 1987-2000***

A pioneer in the Senegalese microfinance sector, RECEC was born in 1987 in the crowded, ethnically diverse, low-income neighborhood of Grand Yoff when 13 women's groups, comprised of 103 local women, approached ENDA-GRAF to request assistance in setting up a *caisse*. ENDA-GRAF had been in Grand Yoff since 1975 and was focusing its efforts on providing health education and services to women and infants at the time. RECEC's 103 original champions argued that before they could think about preventive health measures they needed simply to feed their families. Having experienced both the value and the limitations of *tontines*, they reasoned that a *caisse* would provide access to the financial means necessary to create or further develop micro-businesses that would in turn permit them to earn a modest living.

ENDA-GRAF matched the women's combined contribution of $1,700 (1 million FCFA) with a loan of $5,000 (3 million FCFA) and the *caisse* of Grand Yoff began operations. Members were required to save $1 (600 FCFA) per month, and loans were made at an annual rate of 10%. Membership and capital grew rapidly, increasing to 2,000 members and $33,000 (20 million FCFA) within the first few years. Loan repayment rates were exemplary, and demand grew. Soon, women began traveling from other Dakar neighborhoods to participate in the *caisse*.

In response to the success of the Grand Yoff *caisse* and requests from members, ENDA-GRAF opened new *caisses* in the neighborhoods of Médina, Grand Dakar and Guinaw Rail in 1992, and Ouakam in 1993. This brought the *caisse's* services closer to members who had previously had to travel out of their neighborhoods and increased the membership base. Each new *caisse* had a treasurer and office funded by ENDA-GRAF, but was essentially a satellite operation of the Grand Yoff *caisse* which served as the headquarters. The *caisses* met with resounding success and during the mid-1990s the "ENDA *caisses*", as they were then known, developed a strong reputation throughout Dakar.

The January 1994 a 50% devaluation of the FCFA led indirectly to an innovation by the ENDA-GRAF *caisse* managers: marketplace *guichets*. When the devaluation made it even more difficult for poor families to afford basic provisions, *caisse* managers gained ENDA-GRAF's support to set up small kiosks in their local marketplaces that would buy food in bulk and sell it to *caisse* members on credit. Soon the *guichets* proved to be very useful also as extensions of the *caisses*. It was easier and more convenient for *caisse* members, the majority of whom were market vendors, to deposit their savings each day right in the market instead of going all the way to the *caisse*. Thus the *guichet* became a trademark of the ENDA *caisses*.

During the rest of the 1990s, the ENDA *caisses* continued to proliferate in neighborhoods in and near Dakar, beginning as *guichets*. *Guichets* were established in Pikine, Diamniadio and Pout in 1996; in Parcelles Assainies, Rufisque Chérif and Bargny in 1997; and in Castors, Cambérène and Colobane in 1998. During this time, several *guichets* and *caisses* made a push to decentralize, and ENDA-GRAF eventually supported this process. As a result, successful *guichets* evolved into *caisses*, and each individual *caisse* began guarding its local savings and making loans independently from Grand Yoff. All of the *caisse* staff underwent training at an established *caisse* prior to assuming their posts around Dakar. In the year 2000, RECEC counted 17 *caisses*, 57 *guichets* and 33,000 members.

**Photo 1:** General Assembly of Medina Caisse Members

Despite its phenomenal growth, however, RECEC looked around in 2000 to find that it was no longer a frontrunner among Senegalese microfinance institutions. An outside audit described the *caisses* to be 17 separate operations with strong, independent and highly motivated managers, but no unifying force across the network. Few *caisses* (at best) had a clear picture of their loan and savings portfolios; decisions on lending and repayment terms were often driven by social criteria rather than steadfast rules; and the staff was under-educated and under-trained. The sector was evolving dramatically and younger competitors had overtaken RECEC, the pioneer. Retrenching was in order.

## Rupture with ENDA-GRAF

### *Relationship between ENDA-GRAF and RECEC*

As RECEC's parent organization, ENDA-GRAF had played a central role in the administration, financial support, and growth of RECEC since its inception in Grand Yoff. In the late 1990s, not only did ENDA-GRAF staff still coordinate the network and act as an interface between RECEC and the Ministry of Finance, but ENDA-GRAF also paid the salaries of RECEC's managers and cashiers, rented the *caisse* and *guichet* space across Dakar, and provided the main *caisse* with space at ENDA-GRAF's own headquarters in Grand Yoff. Around the year 2000, however, ENDA-GRAF began taking steps to phase out its financial support of RECEC.

ENDA-GRAF had several reasons for promoting RECEC's autonomy. First, ENDA-GRAF considered itself an "accompanying organization," and had always intended for the *caisses*, just as other ENDA-GRAF initiatives, eventually to guide themselves. ENDA-GRAF's philosophy was to nurture grassroots ideas and endow them with a strong sense of local ownership and authority. Furthermore, ENDA-GRAF's projects spanned the development spectrum, and the organization viewed microfinance as but one tool among many deserving its support. ENDA-GRAF was moving on to new projects and was forced to make tough decisions due to limited funds.

But ENDA-GRAF also viewed RECEC as having come to a crossroads. On the one hand, the *caisses* had fulfilled ENDA-GRAF's mission for the project by fully participating in their own growth and development, and some at ENDA-GRAF felt that the *caisses* were solid and motivated enough to survive without subsidies. On the other hand, the network of *caisses* had grown rapidly, while management and operating procedures had not kept pace. Given the grave responsibility of handling the savings of 20,000 impoverished *caisse* members,[7] and the lack of precision with which the *caisses* were being managed, some ENDA-GRAF staff began to think that RECEC needed more financial assistance and expertise than its generalist parent could give.

**Photo 2:** Manual Bookkeeping at Castors Caisse

Meanwhile, RECEC was in need of additional capital. Its swift growth had entailed a significant outpouring of loan funds, and although this was positive in both financial and social terms, it eventually translated into liquidity problems. People joined RECEC more for access to loans than for savings, and members remained loyal to RECEC with the expectation that they could continue to borrow. Further, members justly expected to be able to withdraw their voluntary savings at any time. But with poor accounting records and drastically low cash assets, RECEC was finding it increasingly difficult to meet their members' needs and expectations.

***New Partners***

With ENDA-GRAF both managerially disengaged and financially unable to provide the needed liquidity, RECEC began reaching out for help from other partners. Dyna Enterprises ("Dyna"), a USAID project (#685-C-00-00-00002-00) established at the end of 1999 to promote private sector initiatives in Senegal, responded positively to RECEC's request for office equipment, computers and related technical training. RECEC also identified potential private and governmental funding sources, but found that its opportunities would be greater if it pursued outside funding as an autonomous institution recognized by the BCEAO. Moreover, a consulting firm known as REMIX, that specialized in microfinance, conveyed its willingness to provide technical assistance should RECEC decide to restructure. All of these factors pointed toward imminent autonomy for RECEC.

**Photo 3:** Computerization of Operations at Caisse

[7] RECEC financial results, December 2000.

### *Last Chance Meeting*

In early 2001, a decisive meeting was held at ENDA-GRAF's headquarters in Grand Yoff. Present were: Oumy Diop, President of the Grand Yoff *caisse*; many of the RECEC *caisse* managers, including Seynabou Diop, who managed the Ouakam *caisse* at the time; representatives of Dyna who were providing technical assistance to RECEC; and members of ENDA-GRAF involved in overseeing RECEC. At what turned out to be a powerfully emotional meeting about the aims and futures of both organizations, the decision was made that ENDA-GRAF and RECEC would part ways. ENDA-GRAF agreed to cover RECEC's rental costs during a one-year transition period. Otherwise, RECEC was on its own.

This was not happy news to many *caisse* and *guichet* staff, who were neighbors to the borrowers and had grown accustomed to treating members with the leniency that ENDA-GRAF's subsidies and social bent afforded. Many also realized that RECEC's autonomy would mean a lot of change, and perhaps a skill set that they were unwilling or unable to develop. But a few were exhilarated by what the future might hold for an autonomous RECEC. Looking back, Seynabou Diop said, "There are some moments in life that you never forget, because they change everything that comes afterwards. That meeting was one of those moments for me, and I believe it was the same for everyone in that room."

## Establishing an Autonomous Organization

As soon as the prospect of a RECEC without ENDA-GRAF came into focus, a flood of questions arose. How would RECEC meet the additional costs of salaries, rent and other expenses, that had been covered by ENDA-GRAF? What capacities did RECEC need to develop in order to survive independently? How could RECEC continue to serve its social mission of helping women and men out of poverty, while also ensuring its own fiscal security? How would RECEC meet the criteria necessary to obtain outside financial resources? Thus, along with autonomy came the need for clarity about management roles, operations and financial health across the network.

### *Governance*

The first steps in establishing an autonomous organization were to create a network governing structure that would take over ENDA-GRAF's coordinating role and to identify leaders to fill those positions. The BCEAO mandated that decentralized financial systems like RECEC have certain control mechanisms that were to be set in motion at a formal constitutive General Assembly. RECEC therefore accepted the *pro bono* assistance of REMIX consultants to undertake a planning process for the General Assembly and to conduct a transparent, objective search for the network governing structure personnel.

REMIX and AT/CPEC staff worked with RECEC to plan an organizational structure in keeping with BCEAO guidelines. Thus the network governing bodies included:

- A General Assembly of 51 members, comprised of three representatives from each *caisse* in the network, that would serve as the supreme governor of RECEC;

- The Board of Directors of 16 members, whose role was to apply the decisions of the General Assembly, including enforcing legal regulations on interest rates and internal procedures, and generally ensuring sound organizational and financial management of the network;
- A Credit Committee made up of nine elected members, responsible for the distribution of credit to *caisses* according to a rigorously defined set of procedures;
- A Surveillance Council of seven members, who inspected the accounting operations of the organization, validated the books, advised the The Board of Directors on any functional lapses, and reported back to the General Assembly on an annual basis.

The network governing structure would be led by a President, who would hold an unpaid position at the level of the The Board of Directors, and a paid Network Coordinator and management team. The Coordinator and her management team would oversee the daily operations of the network under supervision of the Administrative and Surveillance Councils. Note that AT/CPEC required the same group of governing bodies at the *caisse* level; some had in fact been previously established but many were inactive, (see Exhibit 2, Organizational Chart).

***Leadership***

The process undertaken to select the management team for the network's governing structure was a departure from RECEC's usual *modus operandi*. Formal job descriptions and qualifications were developed and a panel appraised and selected candidates in a democratic, transparent process based on a set of objective criteria. Previously, candidates for positions within RECEC had been chosen based on personal affiliation, favoritism and other less objective criteria. Although the new process was strict, many at RECEC applauded it as just.

One aspect of the process that was in keeping with RECEC's history, though, was the fact that the search took place within the network. No positions were filled from outside. In the case of the elected governing bodies – the The Board of Directors, Credit Committee and Surveillance Council – it was mandated that these unpaid roles be filled by RECEC members who held no paid positions within the organization. This Ministry of Finance regulation meant that the pool of candidates for these important governing bodies was limited by the generally low education and experience levels of the micro-entrepreneurs that RECEC served. In the case of the paid management team positions, RECEC's search was constrained by the low level of available remuneration.

The identified leaders included Oumy Diop as President of the The Board of Directors, Seynabou Diop as Network Coordinator, and three other *caisse* managers as part of the network management team.[8]

***Oumy Diop, President***

One of the original 103 women's group members to found the Grand Yoff *caisse*, Oumy Diop had been a longstanding, well-respected and active leader of the main

[8] There was no familial relationship between Oumy Diop and Seynabou Diop, even though they happened to share the same surname.

*caisse* at Grand Yoff. While illiterate and lacking formal education, Oumy Diop was passionate about the importance of credit and savings institutions and she provided RECEC with valuable guidance toward achieving its social mission of helping the poor.

***Seynabou Diop, Network Coordinator***
Seynabou Diop, on the other hand, was a university-educated technician who had trained at the Grand Yoff *caisse*, and served as treasurer and manager of the Ouakam caisse since 1993. She too was passionately committed to RECEC, but emphasized the organization's fiscal health as the road to achieving its social mission.

***Ndella Dieng and Kotoring Toure***
As Credit Agent and Controller, respectively, each of these candidates brought many years' experience as a *caisse* manager. In early 2003, they both continued to fulfill their duties at their respective *caisses* in addition to serving on the network level management team.

***General Assembly***
The future governing bodies and management team began working immediately as a volunteer "steering committee" with the guidance of REMIX and AT/CPEC, to prepare for their constitutive General Assembly. Preparations entailed understanding and adhering to the BCEAO guidelines for credit unions, outlining the administrative and financial structure of RECEC, determining how to organize such a decentralized network as RECEC in accordance with regulations but without unduly disrupting the *caisses*' relative autonomy, developing a set of unified administrative processes, and creating a strategic plan.

In November 2001, over 300 people gathered at the Samba Diéry Diallo Hall in Dakar to convene RECEC's constitutive General Assembly. Representatives from every *caisse* were in attendance, as well as from the AT/CPEC and ENDA-GRAF. At the Assembly, the network's governing body was officially set in place, its governing bodies elected, and three representatives from each *caisse* were elected to the General Assembly. Network membership dues for each *caisse* were set at $167 (100,000 FCFA), and shares of the network, also required of each *caisse*, at $83 (50,000 FCFA). These initial fees from the *caisses* would capitalize RECEC at the network level with $4,250 (2,550,000 FCFA).

In her speech to the Assembly, the newly elected President, Oumy Diop, exhorted the *caisses* to pursue their objectives with greater professional rigor and seriousness. As if to underscore this new business orientation of RECEC, there were no traditional drumming and dancing festivities following the Assembly. Later, Seynabou Diop commented, "We made a decision to leave those folkloric aspects behind. Some of the women may have been disappointed by this, but it would have been a waste." The tension between the old ways and the new, the informal and the rigorously defined, the traditional and the professional, would be felt more acutely at RECEC in the months to come.

## Training at RECEC

### *Planning the Training*

The steering committee recognized the technical weaknesses of many *caisse* staff and foresaw the problems this would pose for a newly autonomous RECEC. Therefore, well before the General Assembly, the committee approached the Dyna project to request assistance in training RECEC personnel. In response, Dyna worked with RECEC staff to assess the organization's weaknesses and identify its training needs. The findings were illuminating. The following were among the limitations cited at nearly every *caisse*:

- Lack of clearly defined management and monitoring structures
- Insufficient knowledge of legal requirements for microfinance organizations
- Absence of centralized financial information, computers and software
- Lack of systematized operational and accounting procedures
- Absence of financial and strategic planning
- Little communication between *caisses*
- Poor or unreliable record-keeping

Dyna then hired a local consulting firm, Cabinet Sarr to design and carry out a training course for RECEC staff with RECEC paying a portion of the training costs. The training began just a few weeks after the constitutive General Assembly and ran concurrently in four locations around Dakar between December 3, 2001 and January 9, 2002. The training was intended for members of the governing bodies at each *caisse*, as well as all the *caisse* managers, assistants, cashiers and *guichet* tellers, including members of the new network-level management team. More than 300 RECEC staff participated.

### *Cabinet Sarr's Training Themes*

Based on RECEC's identified weaknesses and consultations with Dyna and the RECEC steering committee, Cabinet Sarr developed six key themes to be covered in the training:

1. Organization and Functioning of Decentralized Financial Systems
   The first theme defined the components and principles of the credit union, including membership fees and shares in the union, the roles and responsibilities of governing bodies, and the roles of the *caisse* managers, assistants and *guichet* tellers.

2. Legal Framework of Decentralized Financial Systems
   Next, the discussion turned to the BCEAO regulations, covering legal guidelines, the process of obtaining an official "agreement" or "recognition" for an institution or network, and the organizational and financial criteria necessary to be in compliance.

3. Management and Monitoring Tools and Their Harmonization
   The third theme reviewed the specific forms and member receipts used to manage such aspects as savings deposits and credit repayments, and presented several tables to use in monitoring the *caisse's* activity.

4. Accounting for Decentralized Financial Systems

The most technical theme laid out appropriate bookkeeping and accounting practices, including those exercises mandated by the BCEAO. Participants practiced using a journal, ledger, and accounting for depreciation of assets.

5. Planning in Decentralized Financial Systems
   Participants also learned about various purposes and types of planning, including identifying operational problems and solutions, setting goals and deadlines, measuring progress, and budgeting.

6. Archiving and Reporting
   The final theme presented techniques for classifying and filing *caisse* and *guichet* documents to permit ready access and ensure unity across the network; and participants reviewed how to prepare and submit key reports.[9]

***Reactions to the Training***

On the whole, the training was very well received by RECEC staff. Attendance was high, with 82%-90% of those enrolled actually participating in the sessions. Each training theme opened with a pre-test and closed with a follow-up test, and the difference between these test results showed a significant level of comprehension and learning on the part of participants. The vast majority of the trainees, who were asked to complete detailed evaluations, claimed to be satisfied with their experience. One common complaint was the speed with which some topics were treated and the overall brevity of the training, given the material covered. Many participants indicated their desire for a reinforcing training in the near future.

***Application of the Training Lessons***

As part of the consulting contract with Dyna, Cabinet Sarr was also charged with evaluating the outcomes of the training on a quarterly basis and providing follow-up support to the *caisses* for one full year after the training. Thus from January to December 2002, Cabinet Sarr consultants made regular visits to each of the 17 RECEC caisses to provide technical assistance, conduct detailed investigationsm, and rate each caisse on its progress in incorporating the training themes into their daily operations.

In addition to providing valuable information about the caisses' progressive level of mastery to Seynabou Diop and her management team, these visits also served to encourage the caisses to institute what they had learned. Because of this rigorous process, the caisses had a clear outline of what they would be judged on, and a deadline – the next Cabinet Sarr visit – for accomplishing it.

Over the course of 2002, the Cabinet Sarr evaluations showed that many caisses did make progress, but the transition toward professionalism was by no means smooth. As the excitement of the constitutive General Assembly wore off and the last year of ENDA-GRAF's financial support wound to a close, the reality of RECEC's autonomy began hitting home with

[9] Cabinet Sarr Sarl, Cabinet Service Appui Recherche Représentation. 2001.

caisse and guichet personnel across the network. By the end of the year, organizational fissures were threatening RECEC's overall viability, (see Exhibit 3, Training Progress Report).

## Conflicts at RECEC

### *Within Individual Caisses*

Among the most important conflicts to come to the fore through Cabinet Sarr's inspections involved the persistent authority of the caisse managers over the caisse-level governing bodies. The tradition at RECEC had always been to assign the highest level of decision-making power to the caisse manager and to encourage her independence and leadership. Caisse managers had long been the driving force of RECEC and many of them viewed their domain with an almost maternal commitment and devotion. While the insertion of elected bodies to supervise their work was important to achieve more professional, democratic and well-coordinated operations across the network, it was unnatural in the context of the pervading organizational culture. And indeed according to Cabinet Sarr's evaluations, well-performing governing bodies seemed to be an idea that was going nowhere fast.

An example of the problem was the caisse-level Surveillance Council. In order to fulfill their duty, members of the Surveillance Council had to have a strong knowledge of the prescribed accounting processes and take an active role in reviewing the caisse's financial records. At the end of 2002, however, the caisse Surveillance Councils were almost entirely comprised of older, venerable members of the community who lacked formal education. Whether this was intentional on the part of caisse managers wishing to maintain control, or simply a factor of official requirements that the Council be comprised of unpaid caisse members, the result was that many of the elected Council members were illiterate, did not have a firm understanding of accounting, and were incapable of filling the role.

### *Caisse-Guichet*

Similar to the caisse managers' reaction to the governing bodies, guichet tellers resented the new controls being forced upon them by their caisses. Guichet tellers had never been well paid, and many even went a few months without pay during 2002, when the caisse couldn't afford their salaries. The guichet tellers were certainly motivated by their commitment to RECEC's mission and clients, but on the other hand, their low level of compensation served to legitimize a lack of professionalism. Under the circumstances, some guichet tellers felt entitled to work flexible or minimal hours and assumed that the added effort required to conform to new professional procedures could be made at their discretion.

This attitude, while understandable, made it difficult for caisse managers to carry out their new tasks. Without detailed, organized information from the guichets, the caisses could not submit reliable reports to the network level. And without information on the accounts and profitability of the caisses, the network could not direct technical or financial support to the caisses that most needed it. RECEC was a grassroots organization and without a strong base of operations (at the guichet level), the network as a whole could not be healthy.

### *Caisse-Network*

If the insertion of new supervision at the caisse level proved frustrating for some caisse managers, accepting the new network level management team was a far greater obstacle still. Each of the new, objectively selected network level staff had previously been or even continued to serve as caisse managers. Other caisse managers resented having to take orders from their peers. Meanwhile, as the financial strength of the newly autonomous organization declined, the pressure to enforce professional procedures and financial controls increased, thereby aggravating the personnel conflicts all the way down the line.

Furthermore, in early 2003, one year into the network's formalization process, caisse managers were still waiting to reap the benefits of being a network member. Expectations were that network management would raise external funds centrally and distribute them to the caisses, as well as provide technical and management support to caisses as needed. These expectations had not yet been fulfilled. Although the network was making loans to some caisses using funds on deposit from caisses with surpluses, there was too little excess liquidity to meet the demand. External funds had yet to be raised and the network management team was stretched too thin to provide technical assistance to the caisses. Most caisse managers remained patient and hopeful, but frustration could not be far off.

***Caisse-Caisse***
Given the shortage of network-level resources and the growing need for assistance, competition among the caisses was also rising. Caisses competed directly for loans awarded by the network-level credit committee, and indirectly for status within RECEC. While some rivalry had a positive impact on caisse operations, there was a fine line between constructive and destructive competition. An example of a negative result of competition was the attempted secession of one caisse, Number 17, during the course of 2002. Even if this caisse could survive on its own, which was questionable, the disbanding of RECEC as a network was unlikely to bring positive results to either the caisses or the network.

***Caisse/Guichet-Members***
While RECEC staff turned inwards to address all of these organizational conflicts and challenges, the members also began to suffer. Many members had been with RECEC since its early days at Grand Yoff and intended to weather the storm. But due to the caisses' decreasing liquidity, members were being denied loans, and limits were even imposed on their savings withdrawals. Guichets had increasingly unreliable hours or were closing down altogether. And the service at the caisses was less friendly and accommodating than before. In general, the caisses were attracting fewer and fewer new members, and growing numbers of existing members were reclaiming their invested shares, withdrawing their savings, and departing for RECEC's competitors.

**Photo 4:** Long Lines for Service at Caisse

***The Network Level***

Internal rivalry was not limited to the caisse level. The network level management team was comprised of former or current caisse managers who had all competed for the role of Coordinator, and some resentment still lay under the surface from those not selected. Luckily, the well-respected President, Oumy Diop, served as a unifying force. Despite her different background, the President recognized the importance of bringing technical skills to bear on RECEC's social mission, and she was fully supportive of Seynabou Diop and the management team as a whole.

The active debate among network level managers and governing bodies at the beginning of 2003 was whether to accept imminent government funding to open several new caisses in the region of Matam, about 500 kilometers from the Dakar area where all of RECEC's caisses were located. On the one hand, this would provide RECEC with much needed liquidity right away, since securing alternative funding still required many time-consuming hurdles. RECEC had been providing informal assistance to fledgling credit operations outside Dakar free of charge for some time. Yet, some network level managers argued, that RECEC needed to concentrate on its base operations in Dakar before expanding, especially to such a distant locale.

**Conclusion: The Planning Meeting for 2003**

All of these issues weighed on Seynabou's mind as she prepared for tomorrow's meeting of the The Board of Directors. RECEC was stuck in a vicious circle. Without the collaboration of the caisses and guichets, RECEC could not professionalize its operations. Without greater professionalism, RECEC could not adequately monitor members' savings and loan repayments and take the actions necessary to achieve financial sustainability. Without financial clarity and sustainability, the network could not meet the criteria necessary to qualify for BCEAO "agreement." Without the "agreement" of the BCEAO, or at least the organizational and financial performance to qualify, RECEC would not have access to outside funding. Without outside funding, RECEC could not provide the necessary support, liquidity and training to its caisses. Without support, liquidity and training, the caisses and guichets could not provide high quality financial services to attract and retain responsible members. And without responsible, satisfied members, RECEC would not survive.

It was imperative that the The Board of Directors and network level management team settle on a strategy to address these conflicts right away, before RECEC spun out of control. In the role of Network Coordinator, it was Seynabou's responsibility to present recommendations and guide the discussion at the meeting. As night fell on Dakar, Seynabou began drafting her plan.

*This case study was written by Myka Reinsch for Chemonics International Inc.*

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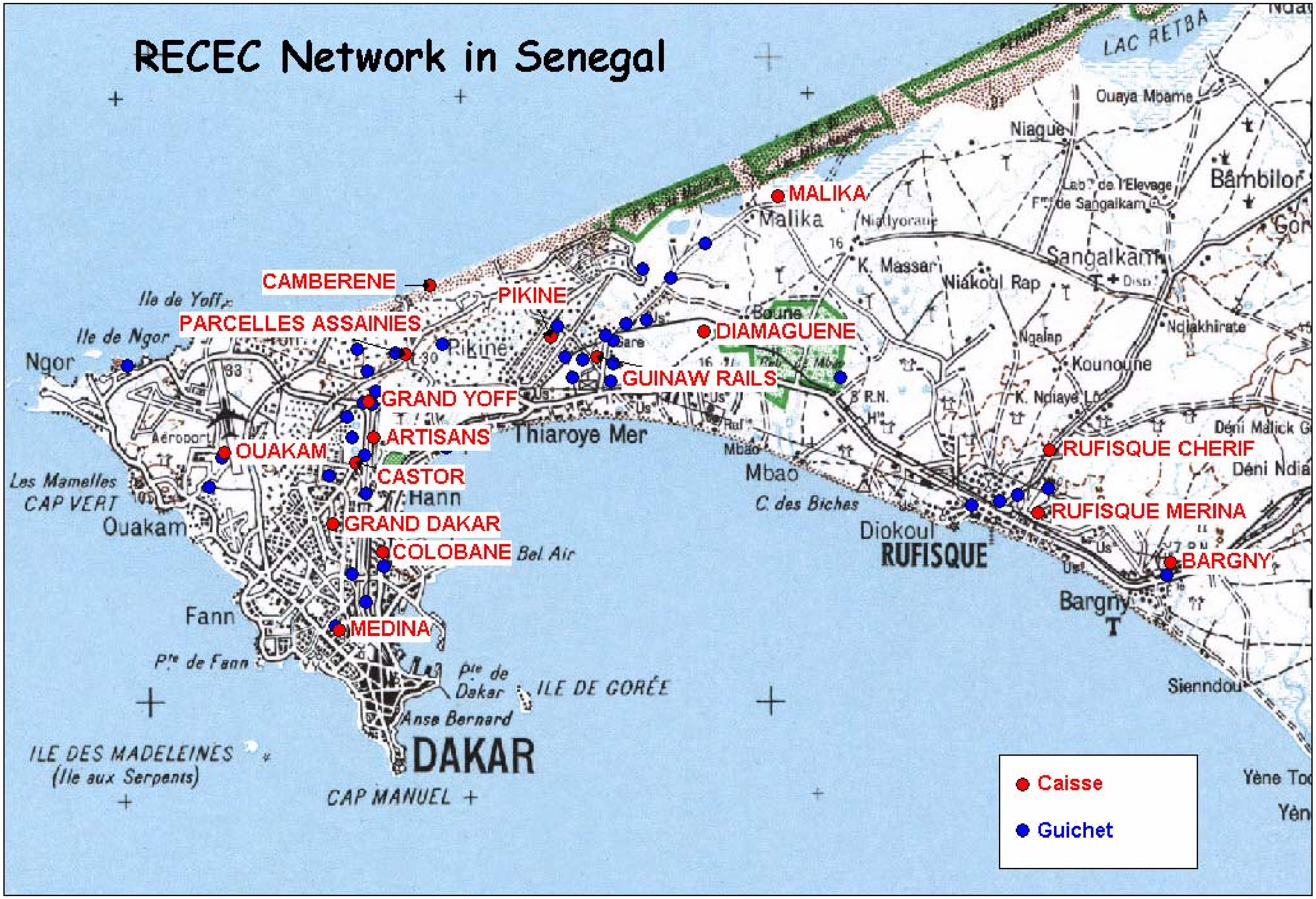
## *EXHIBIT 1: MAP OF RECEC NETWORK*



## *EXHIBIT 2: 2001 FINANCIAL RESULTS – RECEC CAISSES*

| Caisse Location | Date | Year | Total Users (#) | Total Savers (#) | Total No. Loans In Progress (#) | Total Savings In Progess | Total Credit Awarded for Year | Total In Progress Credit | Delinquent Loans | Irrecoverable Loans | Interest Revenues | Other Financial Revenues | Other Revenues | Depreciation and Loan Loss Provision | Total Revenues |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 31-Dec | 2001 | 2,745 | 2,611 | 393 | 96,112,400 | 18,028,000 | 36,235,460 | 4,628,900 | 6,372,310 | 7,283,490 | 1,839,375 | 5,014,152 | 0 | 14,137,017 |
| 2 | 31-Dec | 2001 | 1,846 | 211 | 126 | 18,844,930 | 9,050,000 | 12,257,170 | 675,840 | 407,350 | 2,577,380 | 1,823,860 | 0 | 0 | 4,401,240 |
| 3 | 31-Dec | 2001 | 583 | 90 | 203 | 14,664,185 | 6,775,000 | 12,266,160 | 2,795,610 | 1,236,280 | 2,004,030 | 158,000 | 0 | 0 | 2,162,030 |
| 4 | 31-Dec | 2001 | 1,484 | 365 | 205 | 8,998,740 | 13,500,000 | 12,898,000 | 597,615 | 1,170,485 | 4,441,882 | 2,168,123 | 147,390 | 0 | 6,757,395 |
| 5 | 31-Dec | 2001 | 416 | 420 | 124 | 8,324,190 | 5,000,000 | 13,289,590 | 2,036,380 | 888,285 | 1,732,535 | 189,500 | 0 | 0 | 1,922,035 |
| 6 | 31-Dec | 2001 | 2,029 | 516 | 81 | 11,133,517 | 2,485,000 | 3,838,700 | 997,400 | 790,000 | 2,784,960 | 466,050 | 1,036,160 | 0 | 4,287,170 |
| 7 | 31-Dec | 2001 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 | 31-Dec | 2001 | 1,175 | 1,157 | 142 | 3,631,500 | 9,005,000 | 12,900,000 | 720,700 | 357,800 | 3,421,335 | 457,000 | 0 | 0 | 3,878,335 |
| 9 | 31-Dec | 2001 | 2,854 | 1,901 | 329 | 37,470,792 | 16,125,000 | 25,804,610 | 965,545 | 0 | 5,292,245 | 1,275,050 | 0 | 0 | 6,567,295 |
| 10 | 31-Dec | 2001 | 1,154 | 420 | 56 | 21,317,260 | 15,200,000 | 20,120,000 | 2,627,600 | 280,500 | 4,582,350 | 543,200 | 0 | 0 | 5,125,550 |
| 11 | 31-Dec | 2001 | 2,853 | 2,853 | 170 | 9,750,920 | 19,000,000 | 11,637,375 | 1,027,000 | 199,000 | 7,979,555 | 1,048,700 | 0 | 0 | 9,028,255 |
| 12 | 31-Dec | 2001 | 29 | 29 | 20 | 235,515 | 0 | 481,900 | 135,000 | 2,000,000 | 357,470 | 0 | 0 | 0 | 357,470 |
| 13 | 31-Dec | 2001 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 | 31-Dec | 2001 | 2,636 | 2,567 | 658 | 15,183,386 | 18,680,000 | 14,750,000 | 3,245,000 | 328,200 | 8,352,501 | 1,414,500 | 0 | 0 | 9,767,001 |
| 15 | 31-Dec | 2001 | 1,323 | 524 | 76 | 13,445,035 | 14,260,075 | 7,559,500 | 5,784,990 | 0 | 4,916,140 | 0 | 0 | 0 | 4,916,140 |
| 16 | 31-Dec | 2001 | 526 | 117 | 54 | 2,416,825 | 160,000 | 2,174,650 | 262,420 | 367,850 | 1,296,000 | 0 | 0 | 0 | 1,296,000 |
| 17 | 31-Dec | 2001 | 1,016 | 1,016 | 349 | 44,902,815 | 43,645,500 | 35,631,960 | 659,615 | 120,000 | 5,664,572 | 0 | 0 | 0 | 5,664,572 |
| TOTAL | 31-Dec | 2001 | 22,669 | 14,797 | 2,986 | 306,432,010 | 190,913,575 | 221,845,075 | 27,159,615 | 14,518,060 | 62,686,445 | 11,383,358 | 6,197,702 | 0 | 80,267,505 |
| | | | | | | | | | | | | | | | |
| 1 | 31-Mar | 2002 | 2,908 | 2,657 | 387 | 106,512,025 | 18,505,000 | 36,021,640 | 3,224,200 | 8,570,670 | 1,683,850 | 357,200 | 909,000 | 0 | 2,950,050 |
| 2 | 31-Mar | 2002 | 2,860 | 1,248 | 111 | 21,924,485 | 4,950,000 | 7,305,500 | 404,400 | 656,450 | 702,550 | 198,600 | 457,602 | 0 | 1,358,752 |
| 3 | 31-Mar | 2002 | 579 | 107 | 314 | 10,698,285 | 12,062,000 | 9,246,700 | 3,007,860 | 858,120 | 571,810 | 40,750 | 350,761 | 0 | 963,321 |
| 4 | 31-Mar | 2002 | 1,542 | 301 | 83 | 17,955,454 | 12,645,000 | 13,655,000 | 1,086,942 | 1,159,006 | 1,089,722 | 518,234 | 244,410 | 0 | 1,852,366 |
| 5 | 31-Mar | 2002 | 495 | 440 | 174 | 7,388,320 | 2,060,000 | 5,266,637 | 477,710 | 647,385 | 323,530 | 463,700 | 196,520 | 0 | 983,750 |
| 6 | 31-Mar | 2002 | 2,341 | 604 | 111 | 8,319,350 | 1,167,500 | 4,772,000 | 569,970 | 1,169,780 | 264,000 | 45,600 | 582,740 | 0 | 892,340 |
| 7 | 31-Mar | 2002 | 1,280 | 823 | 88 | 47,857,275 | 2,210,000 | 8,850,400 | 1,761,700 | 2,527,000 | 387,000 | 96,030 | 191,600 | 0 | 674,630 |
| 8 | 31-Mar | 2002 | 1,193 | 1,165 | 63 | 12,624,760 | 6,875,000 | 5,452,800 | 623,600 | 234,000 | 489,350 | 33,560 | 180,250 | 0 | 703,160 |
| 9 | 31-Mar | 2002 | 3,732 | 2,043 | 351 | 39,077,497 | 16,990,000 | 26,296,190 | 2,464,250 | 692,525 | 1,134,800 | 231,505 | 899,700 | 0 | 2,266,005 |
| 10 | 31-Mar | 2002 | 2,211 | 1,425 | 58 | 24,632,370 | 3,070,000 | 21,779,135 | 5,239,725 | 243,500 | 506,100 | 89,500 | 1,741,675 | 0 | 2,337,275 |
| 11 | 31-Mar | 2002 | 3,621 | 3,621 | 265 | 37,463,850 | 53,880,000 | 25,115,030 | 1,032,650 | 120,675 | 3,066,680 | 587,355 | 4,822,300 | 0 | 8,476,335 |
| 12 | 31-Mar | 2002 | 1,015 | 1,015 | 0 | 498,975 | 0 | 0 | 81,000 | 0 | 7,600 | 0 | 685,039 | 0 | 692,639 |
| 13 | 31-Mar | 2002 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 | 31-Mar | 2002 | 2,827 | 2,709 | 1,214 | 24,945,175 | 17,530,000 | 17,215,880 | 2,325,000 | 0 | 1,697,185 | 65,600 | 449,487 | 0 | 2,212,272 |
| 15 | 31-Mar | 2002 | 1,375 | 1,375 | 131 | 14,487,370 | 12,355,000 | 4,970,000 | 270,000 | 132,000 | 755,150 | 158,070 | 478,968 | 0 | 1,392,188 |
| 16 | 31-Mar | 2002 | 568 | 67 | 59 | 1,346,175 | 50,000 | 27,750 | 190,050 | 571,230 | 86,400 | 0 | 110,000 | 0 | 196,400 |
| 17 | 31-Mar | 2002 | 1,089 | 1,089 | 361 | 58,968,305 | 29,555,000 | 73,107,110 | 1,856,480 | 149,185 | 2,075,085 | 434,775 | 225,000 | 0 | 2,734,860 |
| TOTAL | 31-Mar | 2002 | 29,636 | 20,689 | 3,770 | 434,699,671 | 193,904,500 | 259,081,772 | 24,615,537 | 17,731,526 | 14,840,812 | 3,320,479 | 12,525,052 | 0 | 30,686,343 |

**Note: Data may contain errors due to misreporting by some *caisses*.**

## *EXHIBIT 2: 2001 FINANCIAL RESULTS – RECEC CAISSES*

| Caisse Location | Date | Year | Interest on Member Deposits | Interest on Institutional Loans | Other Financial Expenses | External Goods and Services | Other External Expenses | Fees and Taxes | Personnel Expense | Fringe Expense | Other Expenses | Depreciation Allowance | Loan Loss Provision Allowance | Total Operating Expenses |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 31-Dec | 2001 | 743,970 | 632,390 | 231,550 | 1,075,800 | 254,215 | 40,655 | 295,155 | 4,923,500 | 4,548,670 | 1,125,450 | 0 | 13,871,355 |
| 2 | 31-Dec | 2001 | 401,277 | 377,025 | 302,713 | 1,136,600 | 148,630 | 40,655 | 157,000 | 3,672,650 | 982,460 | 176,900 | 0 | 7,395,910 |
| 3 | 31-Dec | 2001 | 43,075 | 170,410 | 17,875 | 105,000 | 55,000 | 40,655 | 0 | 1,300,000 | 0 | 380,000 | 0 | 2,112,015 |
| 4 | 31-Dec | 2001 | 76,181 | 270,790 | 96,450 | 1,906,000 | 71,600 | 40,655 | 894,761 | 2,868,750 | 330,815 | 0 | 0 | 6,556,002 |
| 5 | 31-Dec | 2001 | 33,560 | 163,200 | 8,225 | 114,000 | 3,500 | 40,665 | 29,205 | 1,260,000 | 0 | 256,000 | 0 | 1,908,355 |
| 6 | 31-Dec | 2001 | 42,500 | 363,800 | 190,537 | 1,185,000 | 3,650 | 40,655 | 148,625 | 3,570,000 | 2,929,120 | 135,000 | 0 | 8,608,887 |
| 7 | 31-Dec | 2001 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 | 31-Dec | 2001 | 0 | 197,850 | 12,075 | 577,500 | 14,700 | 40,655 | 0 | 2,015,000 | 0 | 250,000 | 0 | 3,107,780 |
| 9 | 31-Dec | 2001 | 10,395 | 692,690 | 323,485 | 885,000 | 92,850 | 0 | 868,715 | 3,525,000 | 0 | 635,525 | 0 | 7,033,660 |
| 10 | 31-Dec | 2001 | 100,000 | 473,620 | 301,025 | 1,446,500 | 250,075 | 40,655 | 227,765 | 6,096,000 | 0 | 362,070 | 0 | 9,297,710 |
| 11 | 31-Dec | 2001 | 241,485 | 382,400 | 127,295 | 1,646,000 | 429,225 | 40,655 | 145,000 | 4,235,000 | 0 | 260,000 | 0 | 7,507,060 |
| 12 | 31-Dec | 2001 | 183,600 | 107,600 | 12,600 | 1,170,000 | 210,000 | 40,655 | 0 | 2,517,000 | 0 | 145,500 | 0 | 4,386,955 |
| 13 | 31-Dec | 2001 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 | 31-Dec | 2001 | 14,100 | 457,170 | 107,368 | 587,500 | 566,950 | 40,655 | 480,100 | 5,138,000 | 0 | 158,275 | 0 | 7,550,118 |
| 15 | 31-Dec | 2001 | 17,825 | 27,600 | 182,785 | 468,000 | 0 | 40,655 | 0 | 2,320,000 | 0 | 178,950 | 0 | 3,235,815 |
| 16 | 31-Dec | 2001 | 0 | 54,850 | 19,400 | 561,000 | 21,000 | 40,655 | 0 | 815,000 | 0 | 28,150 | 0 | 1,540,055 |
| 17 | 31-Dec | 2001 | 995,855 | 26,850 | 155,115 | 539,000 | 84,750 | 40,655 | 0 | 2,025,000 | 289,506 | 0 | 0 | 4,156,731 |
| TOTAL | 31-Dec | 2001 | 2,903,823 | 4,398,245 | 2,088,498 | 13,402,900 | 2,206,145 | 569,180 | 3,246,326 | 46,280,900 | 9,080,571 | 4,091,820 | 0 | 88,268,408 |
| | | | | | | | | | | | | | | |
| 1 | 31-Mar | 2002 | 140,315 | 0 | 0 | 770,775 | 173,210 | 0 | 1,390,250 | 0 | 176,150 | 648,419 | 2,071,632 | 5,370,751 |
| 2 | 31-Mar | 2002 | 23,190 | 0 | 0 | 558,175 | 58,700 | 0 | 926,000 | 0 | 53,300 | 380,410 | 161,760 | 2,161,535 |
| 3 | 31-Mar | 2002 | 21,005 | 0 | 0 | 207,575 | 64,000 | 0 | 375,000 | 0 | 16,475 | 244,921 | 1,955,024 | 2,884,000 |
| 4 | 31-Mar | 2002 | 22,000 | 0 | 0 | 486,890 | 135,695 | 200 | 771,000 | 0 | 30,640 | 0 | 695,818 | 2,142,243 |
| 5 | 31-Mar | 2002 | 0 | 0 | 0 | 3,000 | 35,685 | 0 | 210,000 | 0 | 0 | 191,120 | 191,084 | 630,889 |
| 6 | 31-Mar | 2002 | 0 | 0 | 0 | 539,895 | 50,500 | 8,100 | 621,000 | 0 | 98,000 | 268,804 | 385,988 | 1,972,287 |
| 7 | 31-Mar | 2002 | 0 | 0 | 0 | 222,300 | 20,400 | 0 | 200,000 | 0 | 0 | 154,500 | 1,409,360 | 2,006,560 |
| 8 | 31-Mar | 2002 | 0 | 0 | 0 | 155,075 | 21,000 | 0 | 570,000 | 0 | 17,000 | 118,750 | 399,240 | 1,281,065 |
| 9 | 31-Mar | 2002 | 0 | 0 | 300 | 646,690 | 245,430 | 0 | 480,000 | 0 | 67,900 | 563,835 | 1,395,700 | 3,399,855 |
| 10 | 31-Mar | 2002 | 0 | 0 | 0 | 683,850 | 274,495 | 0 | 890,000 | 0 | 7,600 | 1,037,771 | 2,600,130 | 5,493,846 |
| 11 | 31-Mar | 2002 | 65,000 | 0 | 0 | 2,825,670 | 144,000 | 0 | 991,000 | 0 | 14,000 | 374,345 | 532,332 | 4,946,347 |
| 12 | 31-Mar | 2002 | 0 | 0 | 13,650 | 2,000 | 26,850 | 0 | 0 | 0 | 0 | 682,031 | 64,800 | 789,331 |
| 13 | 31-Mar | 2002 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 | 31-Mar | 2002 | 1,000 | 0 | 0 | 477,425 | 56,200 | 0 | 1,468,000 | 0 | 45,575 | 0 | 403,800 | 2,452,000 |
| 15 | 31-Mar | 2002 | 9,380 | 0 | 0 | 342,930 | 42,176 | 0 | 630,000 | 0 | 0 | 230,308 | 176,000 | 1,430,794 |
| 16 | 31-Mar | 2002 | 0 | 0 | 0 | 226,300 | 43,000 | 0 | 255,000 | 0 | 0 | 161,650 | 152,040 | 837,990 |
| 17 | 31-Mar | 2002 | 14,880 | 184,085 | 0 | 431,260 | 117,995 | 1,100 | 645,000 | 0 | 40,400 | 0 | 1,330,880 | 2,765,600 |
| TOTAL | 31-Mar | 2002 | 296,770 | 184,085 | 13,950 | 8,579,810 | 1,509,336 | 9,400 | 10,422,250 | 0 | 567,040 | 5,056,864 | 13,925,588 | 40,565,093 |

**Note: Data may contain errors due to misreporting by some *caisses*.**

## *EXHIBIT 2: 2001 FINANCIAL RESULTS – RECEC CAISSES*

| Caisse Location | Date | Year | Total Users (#) | Total Savers (#) | Total No. Loans In Progress (#) | Total Savings In Progess | Total Credit Awarded for Year | Total In Progress Credit | Delinquent Loans | Irrecoverable Loans | Interest Revenues | Other Financial Revenues | Other Revenues | Depreciation and Loan Loss Provision | Total Revenues |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 30-Jun | 2002 | 2,955 | 2,657 | 303 | 110,441,145 | 39,395,000 | 36,717,115 | 3,863,360 | 8,236,570 | 3,711,415 | 734,800 | 2,878,975 | 0 | 7,325,190 |
| 2 | 30-Jun | 2002 | 2,878 | 748 | 63 | 35,421,655 | 14,930,000 | 8,471,200 | 5,370,000 | 656,450 | 1,494,450 | 410,270 | 1,324,807 | 0 | 3,229,527 |
| 3 | 30-Jun | 2002 | 644 | 129 | 107 | 11,560,525 | 23,597,000 | 15,931,300 | 2,293,200 | 1,714,460 | 1,231,470 | 129,910 | 1,095,243 | 0 | 2,456,623 |
| 4 | 30-Jun | 2002 | 1,590 | 441 | 156 | 20,887,010 | 31,620,000 | 19,216,710 | 3,781,928 | 771,570 | 2,340,488 | 853,862 | 847,311 | 0 | 4,041,661 |
| 5 | 30-Jun | 2002 | 503 | 448 | 123 | 5,879,510 | 3,635,000 | 4,362,952 | 477,710 | 647,385 | 698,615 | 559,925 | 393,040 | 0 | 1,651,580 |
| 6 | 30-Jun | 2002 | 2,356 | 650 | 40 | 9,460,450 | 4,017,500 | 2,275,500 | 1,729,970 | 1,149,780 | 475,300 | 120,200 | 1,783,870 | 0 | 2,379,370 |
| 7 | 30-Jun | 2002 | 1,262 | 691 | 46 | 17,644,565 | 2,210,000 | 1,038,000 | 3,488,700 | 705,000 | 547,600 | 107,730 | 563,700 | 0 | 1,219,030 |
| 8 | 30-Jun | 2002 | 1,222 | 1,193 | 265 | 15,173,995 | 15,680,000 | 6,992,800 | 1,244,200 | 299,550 | 1,165,415 | 167,560 | 491,250 | 0 | 1,824,225 |
| 9 | 30-Jun | 2002 | 4,739 | 2,195 | 394 | 48,260,052 | 29,390,000 | 22,422,750 | 2,211,250 | 655,200 | 1,637,890 | 431,975 | 2,571,045 | 0 | 4,640,910 |
| 10 | 30-Jun | 2002 | 2,946 | 1,431 | 66 | 23,351,405 | 17,195,000 | 18,114,850 | 5,570,850 | 788,600 | 1,566,875 | 263,800 | 3,091,450 | 0 | 4,922,125 |
| 11 | 30-Jun | 2002 | 3,838 | 3,621 | 494 | 37,463,850 | 115,065,000 | 57,222,510 | 507,955 | 137,600 | 7,713,705 | 1,565,615 | 6,530,540 | 0 | 15,809,860 |
| 12 | 30-Jun | 2002 | 1,018 | 1,018 | 53 | 2,518,940 | 0 | 1,956,000 | 81,000 | 1,875,000 | 11,200 | 0 | 1,370,078 | 0 | 1,381,278 |
| 13 | 30-Jun | 2002 | 187 | 111 | 0 | 1,821,005 | 0 | 0 | 192,000 | 3,190,000 | 0 | 0 | 0 | 0 | 0 |
| 14 | 30-Jun | 2002 | 2,933 | 3,499 | 1,423 | 25,084,210 | 33,185,000 | 15,981,240 | 996,500 | 561,000 | 3,428,245 | 1,112,211 | 0 | 0 | 4,540,456 |
| 15 | 30-Jun | 2002 | 1,403 | 1,403 | 386 | 17,334,370 | 21,130,000 | 8,901,030 | 832,500 | 107,080 | 1,282,585 | 312,330 | 1,376,204 | 0 | 2,971,119 |
| 16 | 30-Jun | 2002 | 589 | 73 | 71 | 1,443,460 | 280,000 | 227,750 | 205,330 | 700,050 | 88,800 | 0 | 127,500 | 0 | 216,300 |
| 17 | 30-Jun | 2002 | 1,189 | 1,189 | 339 | 63,261,980 | 77,275,000 | 98,398,120 | 3,195,205 | 598,765 | 4,061,800 | 1,066,085 | 475,000 | 0 | 5,602,885 |
| TOTAL | 30-Jun | 2002 | 32,252 | 21,497 | 4,329 | 447,008,127 | 428,604,500 | 318,229,827 | 36,041,658 | 22,794,060 | 31,455,853 | 7,836,273 | 24,920,013 | 0 | 64,212,139 |
| | | | | | | | | | | | | | | | |
| 1 | 30-Sep | 2002 | 3,072 | 3,072 | 261 | 125,411,465 | 67,145,000 | 41,870,204 | 324,040 | 1,273,680 | 6,010,975 | 1,364,550 | 5,997,637 | 0 | 13,373,162 |
| 2 | 30-Sep | 2002 | 2,962 | 1,530 | 100 | 38,682,295 | 28,815,000 | 12,970,890 | 696,600 | 1,238,490 | 2,444,650 | 689,610 | 1,453,042 | 56,300 | 4,643,602 |
| 3 | 30-Sep | 2002 | 683 | 310 | 200 | 15,319,750 | 40,127,000 | 29,903,000 | 2,283,380 | 1,449,800 | 2,250,910 | 225,160 | 1,188,743 | 0 | 3,664,813 |
| 4 | 30-Sep | 2002 | 1,355 | 452 | 325 | 10,172,204 | 51,895,000 | 24,629,465 | 1,862,345 | 921,245 | 2,737,471 | 1,083,280 | 901,886 | 0 | 4,722,637 |
| 5 | 30-Sep | 2002 | 512 | 512 | 12 | 4,950,205 | 2,250,000 | 4,773,112 | 340,000 | 113,500 | 933,140 | 625,125 | 951,540 | 0 | 2,509,805 |
| 6 | 30-Sep | 2002 | 2,376 | 533 | 48 | 12,205,835 | 6,852,500 | 2,535,500 | 171,200 | 919,250 | 648,700 | 175,780 | 3,017,512 | 0 | 3,841,992 |
| 7 | 30-Sep | 2002 | 1,098 | 484 | 16 | 18,044,045 | 4,565,000 | 825,000 | 359,815 | 100,000 | 572,400 | 178,710 | 1,037,200 | 0 | 1,788,310 |
| 8 | 30-Sep | 2002 | 1,280 | 1,251 | 339 | 14,408,295 | 26,727,500 | 13,399,050 | 925,000 | 148,050 | 1,994,105 | 334,060 | 422,250 | 0 | 2,750,415 |
| 9 | 30-Sep | 2002 | 5,701 | 2,218 | 416 | 59,398,562 | 47,040,000 | 24,201,610 | 2,190,030 | 634,275 | 3,119,090 | 471,400 | 932,435 | 0 | 4,522,925 |
| 10 | 30-Sep | 2002 | 2,295 | 1,508 | 79 | 28,537,975 | 40,770,000 | 30,865,300 | 2,136,000 | 2,304,000 | 2,485,510 | 634,650 | 4,090,445 | 0 | 7,210,605 |
| 11 | 30-Sep | 2002 | 4,282 | 2,208 | 542 | 75,286,365 | 187,384,000 | 77,278,110 | 304,805 | 117,000 | 12,556,340 | 2,668,310 | 7,260,695 | 0 | 22,485,345 |
| 12 | 30-Sep | 2002 | 1,018 | 1,018 | 0 | 2,337,340 | 0 | 0 | 0 | 81,000 | 11,200 | 0 | 1,962,117 | 0 | 1,973,317 |
| 13 | 30-Sep | 2002 | 187 | 111 | 0 | 1,817,355 | 0 | 0 | 192,000 | 0 | 0 | 0 | 0 | 45,800 | 45,800 |
| 14 | 30-Sep | 2002 | 3,044 | 5,200 | 1,648 | 27,014,070 | 44,680,000 | 19,534,595 | 748,500 | 149,000 | 4,869,960 | 167,900 | 1,663,111 | 0 | 6,700,971 |
| 15 | 30-Sep | 2002 | 1,441 | 1,441 | 191 | 8,220,555 | 36,685,000 | 10,977,205 | 231,000 | 249,000 | 2,086,615 | 497,330 | 1,521,584 | 0 | 4,105,529 |
| 16 | 30-Sep | 2002 | 602 | 90 | 85 | 1,616,120 | 1,425,000 | 537,750 | 147,900 | 725,850 | 142,300 | 27,000 | 153,000 | 187,500 | 509,800 |
| 17 | 30-Sep | 2002 | 1,292 | 1,292 | 359 | 68,281,040 | 98,335,000 | 102,998,630 | 2,414,530 | 590,660 | 6,725,170 | 1,544,010 | 735,500 | 0 | 9,004,680 |
| TOTAL | 30-Sep | 2002 | 33,200 | 23,230 | 4,621 | 511,703,476 | 684,696,000 | 397,299,421 | 15,327,145 | 11,014,800 | 49,588,536 | 10,686,875 | 33,288,697 | 289,600 | 93,853,708 |

**Note: Data may contain errors due to misreporting by some *caisses*.**

## *EXHIBIT 2: 2001 FINANCIAL RESULTS – RECEC CAISSES*

| Caisse Location | Date | Year | Interest on Member Deposits | Interest on Institutional Loans | Other Financial Expenses | External Goods and Services | Other External Expenses | Fees and Taxes | Personnel Expense | Fringe Expense | Other Expenses | Depreciation Allowance | Loan Loss Provision Allowance | Total Operating Expenses |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 30-Jun | 2002 | 426,063 | 0 | 0 | 1,891,545 | 340,810 | 0 | 2,760,000 | 0 | 559,100 | 1,296,838 | 2,695,696 | 9,970,052 |
| 2 | 30-Jun | 2002 | 23,190 | 0 | 0 | 998,650 | 130,470 | 0 | 1,997,750 | 0 | 291,650 | 753,235 | 760,821 | 4,955,766 |
| 3 | 30-Jun | 2002 | 23,405 | 5,000 | 0 | 211,075 | 231,500 | 0 | 750,000 | 0 | 59,775 | 734,762 | 1,379,560 | 3,395,077 |
| 4 | 30-Jun | 2002 | 42,561 | 5,000 | 0 | 550,000 | 340,760 | 400 | 1,542,000 | 0 | 115,700 | 0 | 1,746,763 | 4,343,184 |
| 5 | 30-Jun | 2002 | 5,700 | 0 | 0 | 25,200 | 245,485 | 0 | 420,000 | 0 | 0 | 382,240 | 382,168 | 1,460,793 |
| 6 | 30-Jun | 2002 | 0 | 0 | 0 | 704,395 | 158,140 | 17,700 | 898,000 | 0 | 148,600 | 537,680 | 1,157,988 | 3,622,503 |
| 7 | 30-Jun | 2002 | 0 | 0 | 0 | 389,800 | 22,865 | 0 | 400,000 | 0 | 0 | 309,000 | 2,100,160 | 3,221,825 |
| 8 | 30-Jun | 2002 | 0 | 0 | 0 | 298,515 | 493,940 | 0 | 1,255,000 | 0 | 17,000 | 237,500 | 650,520 | 2,952,475 |
| 9 | 30-Jun | 2002 | 0 | 0 | 300 | 1,037,705 | 466,080 | 0 | 1,325,000 | 0 | 283,265 | 1,127,670 | 1,386,660 | 5,626,680 |
| 10 | 30-Jun | 2002 | 0 | 0 | 0 | 1,225,580 | 486,010 | 0 | 2,225,000 | 0 | 24,000 | 2,075,542 | 2,985,540 | 9,021,672 |
| 11 | 30-Jun | 2002 | 65,000 | 0 | 0 | 3,596,450 | 578,030 | 0 | 2,737,500 | 0 | 95,100 | 748,690 | 288,814 | 8,109,584 |
| 12 | 30-Jun | 2002 | 0 | 0 | 13,650 | 12,000 | 40,350 | 0 | 0 | 0 | 0 | 1,364,078 | 64,800 | 1,494,878 |
| 13 | 30-Jun | 2002 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 | 30-Jun | 2002 | 35,500 | 0 | 0 | 477,425 | 114,280 | 0 | 3,092,000 | 0 | 200,475 | 0 | 461,200 | 4,380,880 |
| 15 | 30-Jun | 2002 | 27,530 | 0 | 0 | 486,530 | 71,076 | 0 | 1,260,000 | 0 | 0 | 460,616 | 470,000 | 2,775,752 |
| 16 | 30-Jun | 2002 | 0 | 0 | 0 | 340,300 | 52,500 | 0 | 540,000 | 0 | 0 | 323,300 | 164,264 | 1,420,364 |
| 17 | 30-Jun | 2002 | 20,760 | 400,485 | 0 | 726,760 | 237,485 | 1,750 | 1,290,000 | 0 | 300,475 | 0 | 1,708,494 | 4,686,209 |
| TOTAL | 30-Jun | 2002 | 669,709 | 410,485 | 13,950 | 12,971,930 | 4,009,781 | 19,850 | 22,492,250 | 0 | 2,095,140 | 10,351,151 | 18,403,448 | 71,437,694 |
| | | | | | | | | | | | | | | |
| 1 | 30-Sep | 2002 | 662,848 | 0 | 0 | 2,574,300 | 800,200 | 0 | 4,235,250 | 0 | 559,100 | 1,945,257 | 171,960 | 10,948,915 |
| 2 | 30-Sep | 2002 | 25,890 | 0 | 0 | 1,799,730 | 132,845 | 0 | 2,919,500 | 0 | 480,200 | 0 | 0 | 5,358,165 |
| 3 | 30-Sep | 2002 | 23,405 | 5,000 | 0 | 272,315 | 284,750 | 0 | 1,125,000 | 0 | 69,275 | 0 | 0 | 1,779,745 |
| 4 | 30-Sep | 2002 | 48,261 | 5,000 | 0 | 1,833,419 | 438,844 | 800 | 2,313,000 | 0 | 185,190 | 0 | 1,005,418 | 5,829,932 |
| 5 | 30-Sep | 2002 | 6,500 | 0 | 10,000 | 40,035 | 327,460 | 0 | 445,000 | 0 | 0 | 573,360 | 136,000 | 1,538,355 |
| 6 | 30-Sep | 2002 | 630 | 0 | 10,000 | 1,306,060 | 334,210 | 27,000 | 1,177,000 | 0 | 169,050 | 806,412 | 98,680 | 3,929,042 |
| 7 | 30-Sep | 2002 | 18,000 | 0 | 8,000 | 529,100 | 61,465 | 0 | 550,000 | 0 | 14,250 | 463,500 | 287,852 | 1,932,167 |
| 8 | 30-Sep | 2002 | 0 | 0 | 0 | 444,765 | 527,515 | 0 | 1,935,000 | 0 | 17,000 | 356,250 | 724,000 | 4,004,530 |
| 9 | 30-Sep | 2002 | 0 | 0 | 300 | 1,682,964 | 737,765 | 0 | 2,285,000 | 0 | 493,715 | 1,693,005 | 1,150,872 | 8,043,621 |
| 10 | 30-Sep | 2002 | 0 | 0 | 0 | 1,624,705 | 1,000,720 | 0 | 3,507,500 | 0 | 2,333,600 | 3,113,313 | 1,614,400 | 13,194,238 |
| 11 | 30-Sep | 2002 | 74,000 | 0 | 0 | 4,675,100 | 920,885 | 0 | 4,606,500 | 0 | 190,700 | 1,123,035 | 223,392 | 11,813,612 |
| 12 | 30-Sep | 2002 | 0 | 0 | 13,650 | 12,000 | 52,750 | 0 | 0 | 1,500 | 0 | 1,956,117 | 0 | 2,036,017 |
| 13 | 30-Sep | 2002 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 | 30-Sep | 2002 | 85,050 | 0 | 10,000 | 853,425 | 175,930 | 0 | 4,736,000 | 0 | 207,340 | 0 | 1,012,000 | 7,079,745 |
| 15 | 30-Sep | 2002 | 37,455 | 0 | 0 | 693,830 | 151,415 | 0 | 1,890,000 | 0 | 0 | 690,924 | 0 | 3,463,624 |
| 16 | 30-Sep | 2002 | 0 | 0 | 0 | 469,800 | 83,550 | 0 | 561,000 | 0 | 0 | 484,950 | 118,320 | 1,717,620 |
| 17 | 30-Sep | 2002 | 20,760 | 400,485 | 0 | 1,081,640 | 258,485 | 1,950 | 2,240,000 | 0 | 372,325 | 0 | 1,276,485 | 5,652,130 |
| TOTAL | 30-Sep | 2002 | 1,002,799 | 410,485 | 51,950 | 19,893,188 | 6,288,789 | 29,750 | 34,525,750 | 1,500 | 5,091,745 | 13,206,123 | 7,819,379 | 88,321,458 |

**Note: Data may contain errors due to misreporting by some *caisses*.**

## *EXHIBIT 2: 2001 FINANCIAL RESULTS – RECEC CAISSES*

| Caisse Location | Date | Year | Total Users (#) | Total Savers (#) | Total No. Loans In Progress (#) | Total Savings In Progess | Total Credit Awarded for Year | Total In Progress Credit | Delinquent Loans | Irrecoverabl e Loans | Interest Revenues | Other Financial Revenues | Other Revenues | Depreciation and Loan Loss Provision | Total Revenues |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 31-Dec | 2002 | 3,146 | 3,146 | 271 | 118,747,635 | 99,595,000 | 51,978,029 | 3,231,880 | 8,574,320 | 8,171,690 | 1,525,550 | 5,408,845 | 1,683,300 | 16,789,385 |
| 2 | 31-Dec | 2002 | 3,068 | 2,647 | 130 | 45,941,990 | 49,010,000 | 24,506,700 | 819,750 | 1,305,990 | 3,642,750 | 828,730 | 1,860,342 | 258,000 | 6,589,822 |
| 3 | 31-Dec | 2002 | 699 | 316 | 350 | 22,034,660 | 45,187,000 | 19,200,700 | 1,996,630 | 1,698,800 | 3,064,470 | 257,910 | 1,232,543 | 0 | 4,554,923 |
| 4 | 31-Dec | 2002 | 1,369 | 590 | 482 | 11,104,119 | 64,850,000 | 38,804,600 | 3,379,674 | 525,192 | 4,345,195 | 1,277,800 | 3,018,244 | 0 | 8,641,239 |
| 5 | 31-Dec | 2002 | 514 | 514 | 23 | 5,513,051 | 3,275,000 | 3,442,250 | 503,400 | 187,100 | 321,785 | 284,950 | 1,500 | 0 | 608,235 |
| 6 | 31-Dec | 2002 | 2,384 | 427 | 33 | 11,806,295 | 7,477,500 | 1,513,200 | 458,500 | 737,750 | 810,600 | 194,280 | 3,327,522 | 0 | 4,332,402 |
| 7 | 31-Dec | 2002 | 1,210 | 497 | 29 | 15,504,735 | 8,415,000 | 2,419,200 | 108,000 | 352,800 | 692,900 | 232,610 | 1,049,500 | 0 | 1,975,010 |
| 8 | 31-Dec | 2002 | 1,309 | 1,270 | 457 | 12,893,099 | 38,327,500 | 20,907,346 | 645,550 | 102,050 | 2,963,675 | 506,560 | 533,270 | 0 | 4,003,505 |
| 9 | 31-Dec | 2002 | 2,066 | 2,074 | 539 | 50,484,187 | 66,490,000 | 27,319,725 | 0 | 0 | 4,648,690 | 1,413,395 | 534,000 | 0 | 6,596,085 |
| 10 | 31-Dec | 2002 | 2,529 | 1,714 | 77 | 25,014,095 | 55,230,000 | 33,990,235 | 183,950 | 1,958,600 | 3,786,055 | 921,725 | 6,920,865 | 243,000 | 11,871,645 |
| 11 | 31-Dec | 2002 | 3,290 | 1,560 | 737 | 50,781,195 | 225,634,000 | 106,257,405 | 469,420 | 110,970 | 16,482,100 | 1,470,000 | 3,572,675 | 21,200 | 21,545,975 |
| 12 | 31-Dec | 2002 | 1,018 | 1,018 | 0 | 2,512,840 | 0 | 0 | 81,000 | 1,800,000 | 0 | 11,200 | 0 | 1,962,117 | 1,973,317 |
| 13 | 31-Dec | 2002 | 130 | 111 | 0 | 1,817,155 | 0 | 0 | 0 | 4,320,000 | 0 | 0 | 0 | 45,800 | 45,800 |
| 14 | 31-Dec | 2002 | 3,087 | 6,111 | 1,895 | 30,171,570 | 52,750,000 | 15,767,375 | 745,000 | 34,500 | 6,105,060 | 256,900 | 1,786,311 | 0 | 8,148,271 |
| 15 | 31-Dec | 2002 | 1,468 | 1,468 | 105 | 7,579,155 | 49,175,500 | 7,092,105 | 367,705 | 186,600 | 3,105,050 | 690,930 | 1,639,384 | 62,400 | 5,497,764 |
| 16 | 31-Dec | 2002 | 631 | 227 | 53 | 850,250 | 4,290,000 | 1,005,000 | 0 | 254,350 | 442,100 | 132,000 | 168,200 | 0 | 742,300 |
| 17 | 31-Dec | 2002 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 31-Dec | 2002 | 27,918 | 23,690 | 5,181 | 412,756,031 | 769,706,500 | 354,203,870 | 12,990,459 | 22,149,022 | 58,582,120 | 10,004,540 | 31,053,201 | 4,275,817 | 103,915,678 |

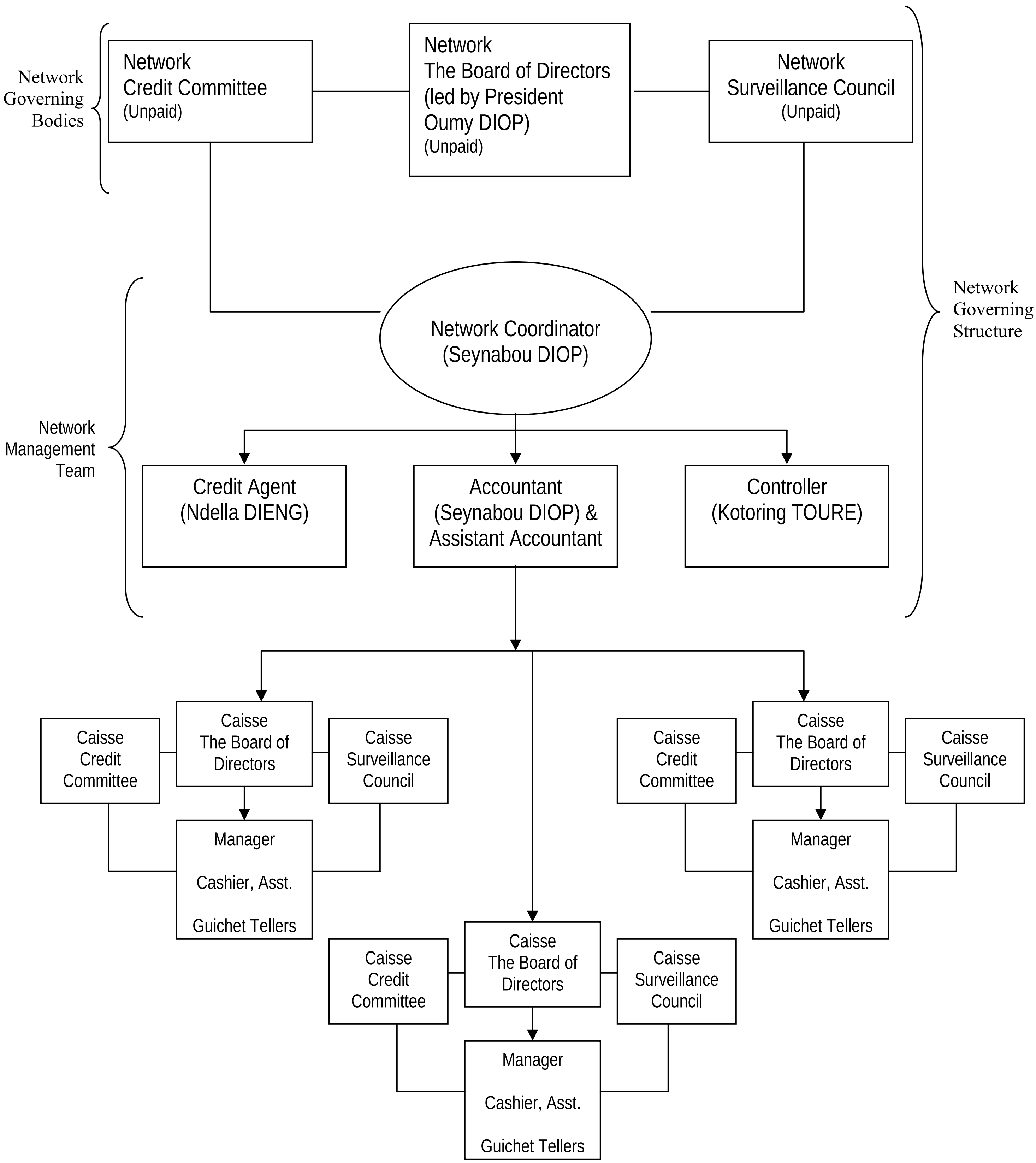
**Note: Data may contain errors due to misreporting by some *caisses*.**

## *EXHIBIT 2: 2001 FINANCIAL RESULTS – RECEC CAISSES*

| Caisse Location | Date | Year | Interest on Member Deposits | Interest on Institutional Loans | Other Financial Expenses | External Goods and Services | Other External Expenses | Fees and Taxes | Personnel Expense | Fringe Expense | Other Expenses | Depreciation Allowance | Loan Loss Provision Allowance | Total Operating Expenses |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 31-Dec | 2002 | 795,875 | 20,000 | 25,000 | 3,405,680 | 875,725 | 0 | 5,692,750 | 0 | 795,750 | 2,332,710 | 1,770,961 | 15,714,451 |
| 2 | 31-Dec | 2002 | 25,890 | 35,000 | 27,000 | 2,350,662 | 334,463 | 0 | 3,712,250 | 0 | 531,700 | 0 | 0 | 7,016,965 |
| 3 | 31-Dec | 2002 | 23,305 | 5,000 | 0 | 315,715 | 300,775 | 0 | 1,590,000 | 0 | 94,275 | 0 | 0 | 2,329,070 |
| 4 | 31-Dec | 2002 | 72,416 | 5,000 | 0 | 2,366,799 | 558,819 | 1,200 | 3,084,000 | 0 | 206,190 | 0 | 3,038,599 | 9,333,023 |
| 5 | 31-Dec | 2002 | 0 | 20,000 | 25,000 | 25,805 | 18,300 | 0 | 80,000 | 0 | 76,500 | 0 | 0 | 245,605 |
| 6 | 31-Dec | 2002 | 900 | 0 | 10,000 | 1,643,060 | 472,710 | 36,450 | 1,575,000 | 0 | 198,150 | 1,074,836 | 339,400 | 5,350,506 |
| 7 | 31-Dec | 2002 | 49,300 | 0 | 0 | 629,100 | 94,965 | 0 | 625,000 | 0 | 14,250 | 905,852 | 0 | 2,318,467 |
| 8 | 31-Dec | 2002 | 0 | 20,000 | 10,000 | 584,265 | 546,750 | 0 | 2,535,000 | 0 | 17,000 | 475,000 | 508,440 | 4,696,455 |
| 9 | 31-Dec | 2002 | 355 | 0 | 300 | 2,035,494 | 941,225 | 0 | 3,445,000 | 0 | 474,670 | 0 | 0 | 6,897,044 |
| 10 | 31-Dec | 2002 | 0 | 0 | 0 | 2,186,805 | 1,147,710 | 0 | 4,602,500 | 0 | 1,319,600 | 4,904,843 | 151,950 | 14,313,408 |
| 11 | 31-Dec | 2002 | 130,500 | 366,220 | 0 | 4,220,983 | 2,762,400 | 12,000 | 6,927,500 | 0 | 0 | 961,500 | 0 | 15,381,103 |
| 12 | 31-Dec | 2002 | 0 | 0 | 13,600 | 12,000 | 52,750 | 0 | 0 | 1,500 | 0 | 1,956,117 | 0 | 2,035,967 |
| 13 | 31-Dec | 2002 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 | 31-Dec | 2002 | 85,790 | 0 | 0 | 1,108,835 | 244,285 | 0 | 6,356,000 | 0 | 212,340 | 0 | 423,000 | 8,430,250 |
| 15 | 31-Dec | 2002 | 50,640 | 0 | 0 | 1,046,950 | 173,415 | 0 | 2,520,000 | 0 | 36,000 | 0 | 121,875 | 3,948,880 |
| 16 | 31-Dec | 2002 | 0 | 0 | 0 | 577,800 | 121,150 | 0 | 771,000 | 0 | 0 | 969,900 | 0 | 2,439,850 |
| 17 | 31-Dec | 2002 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 31-Dec | 2002 | 1,234,971 | 471,220 | 110,900 | 22,509,953 | 8,645,442 | 49,650 | 43,516,000 | 1,500 | 3,976,425 | 13,580,758 | 6,354,225 | 100,451,044 |

**Note: Data may contain errors due to misreporting by some *caisses*.**

## *EXHIBIT 3: RECEC ORGANIZATION CHART*



## Quarterly Evaluations of Each *Caisse* during 2002
## General Results by *Caisse* for All Themes Combined (by Cabinet SARR)

**Caisse #1**
Q1 – Average
Q2 – Good
Q3 – Excellent
Q4 – Excellent

**Caisse #2**
Q1 – Good
Q2 – Average
Q3 – Average
Q4 – Good

**Caisse #3**
Q1 – Average
Q2 – Average
Q3 – Average
Q4 – Weak

**Caisse #4**
Q1 – Average
Q2 – Average
Q3 – Average
Q4 – Good

**Caisse #5**
Q1 – Weak
Q2 – In Peril
Q3 – Weak
Q4 – Weak

**Caisse #6**
Q1 – Good
Q2 – Good
Q3 – Good
Q4 – Good

**Caisse #7**
Q1 – Weak
Q2 – In Peril
Q3 – Average
Q4 – Good

**Caisse #8**
Q1 – Average
Q2 – Weak
Q3 – Weak
Q4 – Averag

**Caisse #9**
Q1 – Average
Q2 – Good
Q3 – Good
Q4 – Good

**Caisse #10**
Q1 – Good
Q2 – Good
Q3 – Good
Q4 – Good

**Caisse #11**
Q1 – Weak
Q2 – Average
Q3 – Average
Q4 – Average

**Caisse #12**
Q1 – Weak
Q2 – Good
Q3 – Good
Q4 – Good

**Caisse #13**
Q1 – Weak
Q2 – In Peril
Q3 – In Peril
Q4 – In Peril

**Caisse #14**
Q1 – Average
Q2 – Weak
Q3 – Average
Q4 – Average

**Caisse #15**
Q1 – Average
Q2 – Average
Q3 – Average
Q4 – Average

**Caisse #16**
Q1 – Weak
Q2 – Good
Q3 – Good
Q4 – Weak

**Caisse #17**
Q1 – Weak
Q2 – Weak
Q3 – Weak
Q4 – Weak

Q = Quarter of 2002

## *EXHIBIT 4: TRAINING PROGRESS REPORT*

### Evaluation of All *Caisses* on Five Rubrics
### At the End of 2002 (by Cabinet SARR)

| *Rubric* | *Examples of Good Performance* | *Notes on* caisses *(end of 2002)* |
|---|---|---|
| **Organization and Functioning** | ▪ Regular meetings of governing bodies<br>▪ Production of periodic reports on savings and credit<br>▪ Good examination of credit files<br>▪ Strategies for recovery of loan repayments in place<br>▪ Respect for hours of operation<br>▪ Controls in place at *caisse* and *guichet* levels by Surveillance Council | ➢ A strong point for 10 of 17 *caisses*<br>➢ 2 *caisses* were rated Average and 5 Weak due to inactivity of governing bodies and/or under-performing personnel<br>➢ In all of the *caisses*, the role of the Surveillance Council needed to be reinforced |
| **Management and Monitoring Tools and Their Harmonization** | ▪ Existence of management and monitoring tools (savings receipts, daily journal, table of current loans)<br>▪ Up-to-date accounting tools and management records<br>▪ Regular monitoring of files and archives<br>▪ Production and use of quarterly internal reports | ➢ Achieved by 8 of 17 *caisses*<br>➢ 5 *caisses* Average, 4 Weak<br>➢ Some obstacles: large existing stock of forms, lack of coordination and engagement at the network level, priority placed on accounting, lack of training, understanding, and/or responsibility |
| **Accounting** | Appropriate use of:<br>▪ Accounts<br>▪ Journal<br>▪ General ledger<br>▪ Trial balance<br>▪ Balance sheet<br>▪ Adjusting and closing entries<br>▪ Annual reports | ➢ 11 of 17 *caisses* were rated Good<br>➢ 3 *caisses* Average, 3 Weak<br>➢ Problems: keeping journal, general ledger and trial balance updated ; regular monitoring of accounts by Surveillance Council ; need for reinforcement training ; *caisse* manager's maternity leave |
| **Record-Keeping** | ▪ Classification framework established and followed<br>▪ Organization and uniformity of member files<br>▪ Description of archives | ➢ 10 of 17 *caisses* Good or Excellent<br>➢ 3 *caisses* Average, 4 Weak<br>➢ Obstacles: cost of materials, need for training |
| **Planning** | ▪ Development of action plan and monitoring charts<br>▪ Existence of a financial budget<br>▪ Maintenance of a provisional profit and loss statement<br>▪ Utilization of financial statements<br>▪ Monitoring of quarterly results as part of planning process | ➢ Continued weak point of most *caisses*<br>➢ 4 Good, 9 Average, 4 Weak<br>➢ Tools either not established or not regularly used<br>➢ Action plans not followed |

Dynamise les entreprises sénégalaises

# DAKAR WOMEN'S NETWORK OF SAVINGS AND LOAN BANKS (RECEC)

# TEACHING NOTE

## CASE STUDY N°003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# DAKAR WOMEN'S NETWORK OF SAVINGS AND LOAN BANKS (RECEC) TEACHING NOTE

## Case Summary

Seynabou DIOP, Coordinator of RECEC (a network of 17 savings and credit banks (*caisses*) in Dakar, Senegal), must lead a discussion tomorrow with her staff and the network's Administrative Council on the organization's action plan for the coming year 2003.

One year ago RECEC and its parent organization (ENDA-GRAF) parted ways and RECEC was forced to become autonomous. After this happened RECEC took measures to professionalize its operations to improve its level of financial self-sufficiency and to obtain the necessary legal operating approvals from the Ministry of Finance. The principal activities undertaken in the last year were the organization of a network-level General Assembly and extensive training of *caisses* personnel.

Seynabou has just received the results of these efforts (in the form of financial reports and an evaluation on the mastery of the training), which are mediocre/mixed.

A number of problems have also appeared at many levels throughout RECEC over the past several months, stemming from: the inflated power of *caisse* managers, under-performing elected governing bodies, competition among personnel, and a shortage of loan capital to meet demand.

The question that Seynabou is asking herself at the beginning of 2003 is basically: "What steps can we take in 2003 to make sure RECEC survives as a strong, sustainable microfinance institution?" Or, put another way, "How can we reinforce the process of professionalization that has begun but not yet taken root?"

The Case Study Exhibits present (1) a map showing the locations of RECEC's *caisses* and *guichets* (service windows); (2) quarterly financial results from December 2001 through December 2002; (3) an organizational chart of RECEC at the beginning of 2003 (and for most of the preceding year); (4) an evaluation of the progress of the17 *caisses* in mastering the training.

## Utilization of the Case

### Level

The case is fairly advanced. The targeted students would be in their second or third year of university with a good understanding of microfinance and some training in organizational management. However, the case is quite broad, so the professor or trainer could focus on a specific aspect of the case that would be suitable for other levels.

**Pedagogical Objectives**
Given the scope of the case, it could be used to teach a variety of different topics, which can be grouped into five themes:

***Professionalization***
- Professionalization in the context of the economic development sector
- Process of « professionalization » for an association
- Prerequisites, lessons and limits of professionalization
- Key elements of professionalization for a microfinance institution

***Governance***
- Tension between the economic needs and social mission of an organization
- Legal constraints on the governing bodies of credit unions and their impact on operations
- Participation and competencies of elected governing bodies
- Democratic participation of credit union members

***Financial Sustainability***
- Importance of financial viability for a social institution
- Sources of loan capital including savings mobilization and external financing
- Effects of growth on the sustainability of an organization
- Business plan for a microfinance organization
- Sources and measurement of risk

***Research***
- Identification of research problems
- Practical problems of professionalization
- Prioritizing research problems in a real-world context

***Organizational Development***
- Creation and management of a decentralized network
- Development of human resources in an organization undergoing cultural change
- Life cycle of savings and credit associations moving from grass-roots, informal structures to formal, regulated financial institutions
- Recruitment of staff
- Conflicting missions and visions of the organization

## Case Analysis

Given the number of various subjects that the professor or trainer could emphasize in the case, and the importance of concentrating on one central theme in order to ensure an effective class, this note will treat the relatively broad question that is posed in the case: "What steps can we take in 2003 to make sure RECEC survives as a strong, sustainable microfinance institution?" See Teaching Note Exhibit 1: Analytical Framework for a sample analysis.

## Teaching Plan

**Before the case**
In order to provide context for the RECEC case, the professor may choose to cover in advance some of the concepts that will be raised in the case. Here are some suggestions:

- The concept of professionalization, including an explanation of the characteristics of professionalism among microfinance institutions
- The concept of a network and the conditions for establishing a network
- Key elements of a self-sufficient microfinance organization

It is imperative that all of the students read the case in its entirety before the class case discussion. It is recommended that the students read the case at least twice and that they conduct a rigorous analysis, whether individually or in groups, prior to the class. To guide their preparation for the class discussion, the professor may provide students with questions for reflection and/or an assignment to be turned in on the day of the class, before the discussion.

**Case discussion: Sample Teaching Plan**
Here is a sample plan for a class of two to two and one-half hours' duration.

***Step 1*** ***(10 minutes)***
The professor may open the class by inviting one of the students to present a summary of the main points of the case (without entering into the analysis or spending much time). Some notes on this summary taken by the professor at the chalkboard would be useful later on in the discussion.

***Step 2*** ***(10 minutes)***
The professor could then begin the case discussion by asking the class: "What are the **key elements** of a self-sufficient microfinance organization?" By taking (or designating) volunteers the following answers would be sought and noted on the chalkboard (see Teaching Notes Exhibit 1). The 7 key elements are:

1. Sufficient financial means
2. Good organizational cohesion
3. Capable and well-trained human resources
4. Effective monitoring and control
5. Respect for legal and financial norms
6. Infrastructure
7. Business plan

***Steps 3 and 4*** ***(30 minutes)***
Having established these seven framework elements, the class would proceed to define them, remaining general (not yet talking about RECEC *per se*). At the same time, the professor could also ask how each element can typically be addressed, noting the valid answers on the chalkboard.

***Step 5*** ***(30 to 45 minutes)***

In this step, the class turns its attention to RECEC itself. Taking each of the 7 key elements in turn, the class would discuss where RECEC stands at the beginning of 2003. For the most part, RECEC has not yet attained these elements, so the class would also note the primary reasons for the deficiencies. It will be smoother (and faster) if the students have already done some analysis; so a related question could be given as a homework assignment before the class (for instance, a financial ratio analysis).

***Step 6*** ***(30 to 45 minutes)***

Perhaps the most important step of the discussion is a brainstorming session on potential solutions for RECEC along each element. The final element should be planning since this includes all of the others and it is the question that Seynabou is about to address. The professor could guide the discussion on the next steps that RECEC should take. Or s/he could also stop at this point and assign the development of a proposed solution to small groups of students, for example.

***Step 7*** ***(10 minutes)***

Finally, the professor should wrap up with a summary of the key lessons from the discussion to ensure that the students leave with a clear understanding.

**After the case discussion**

Other complementary activities could include:

- Student presentations on their own action plans for RECEC;
- A visit from Seynabou DIOP or another microfinance practitioner to the class;
- A visit to RECEC or a comparable institution by the students;
- An internship at RECEC or another credit union;
- A paper or thesis on one of themes raised in the case.

***TEACHING NOTE EXHIBIT 1: ANALYTICAL FRAMEWORK – KEY ELEMENTS OF MICROFINANCE INSTITUTIONS***

| | **Sufficient Financial Means** | **Good Organiz-ational Cohesion** | **Capable and Well-Trained Human Resources** | **Effective Monitoring and Control** | **Respect for Legal and Financial Norms** | **Infra-structure** | **Business Plan** |
|---|---|---|---|---|---|---|---|
| **Definitions and examples of the element:** | - Operating expenses covered by revenues<br>- Clients financial needs satisfied.<br>- Able to compete effectively for qualified staff<br>-Capital needs met<br>- Future financial needs planned for | - Shared mission & vision among staff & assoc. members<br>- Assoc. members active & supportive<br>-Personnel work well together<br>- Network benefits realized (economies of scale, respected brand name, etc.) | - Technical personnel satisfy job requirements<br>- Governing bodies active, competent & performing to set standard<br>- Effective leadership seen<br>- Able to attract & retain qualified technical staff | - Manuals of procedures (acctg & operations) in place, complete, & respected.<br>- Regular, rigorous inspections done<br>- Loan tracking & financial data current & accurate<br>- Acctg. & control systems adequate | - Required reports are accurate & submitted on time<br>- Legal regulations, including ratios, monitored & respected<br>- Management oversight ensures on-going compliance | - Physical assets in caisse secured (safes, reinforced doors & windows)<br>- Convenient location, adequate size & cost-effective<br>- Sufficiently furnished<br>- Computer system in-place if needed. | - Institutional development plan includes statement of mission and strategic objectives accompanied by 3-5 yr plan on how it will be achieved.<br>- Plan covers all aspects of finance, marketing & operations |
| **How to attain in general:** | -Demand-driven savings & loan products<br>- Healthy loan portfolio & savings deposits protected<br>- Full cost recovery interest rates<br>-Financial plan for self-sufficiency<br>-Prudent use of subsidies | - Strong leadership<br>- Regular and extraordinary General Assemblies held<br>- Working committees to build consensus<br>- Good communication at all levels | -Determine training needs by comparing job description and performance<br>-Develop training objectives, design course & teach it<br>-Evaluate staff capacity to perform<br>-Recruit qualified staff, as necessary | - Formulated and clear procedures<br>- Personnel and governing bodies trained<br>- Regular and rigorous inspections by staff<br>- Objective and performing Surveillance Council | - Ensure comprehension of legal requirements by relevant staff<br>-Describe everyone's roles & responsibilities & formalize into procedure manuals<br>- Conduct verification and monitoring<br>- of roles - | -Determine needs and priorities<br>-Determine costs and assess financial resources available<br>-Develop acquisition plan, including soliciting subsidies, if needed | - Management team elaborates plan with input from *caisses*<br>- Communication of draft plan to all staff & revise if needed<br>- Implement plan, measure performance vs objectives & adjust |

## *TEACHING NOTE EXHIBIT 1: ANALYTICAL FRAMEWORK – KEY ELEMENTS OF MICROFINANCE INSTITUTIONS*

| **What are the key elements of a self-sufficient microfinance organization?** | **1. Sufficient Financial Means** | **2. Good Organini-zational Cohesion** | **3. Capable Human Resources** | **4. Effective Monitoring and Control** | **5. Respect for Legal and Financial Norms** | **6. Infra-structure** | **7. Business Plan** |
|---|---|---|---|---|---|---|---|
| **Does RECEC have this at the beginning of 2003?**<br><br>**Why or why not?** | **No**<br>- No financial plans and forecasts<br>- Interest rates and fees not covering all expenses<br>Not enough savings to meet members' loan demands<br>- High loan delinquency at some *caisses* | **No**<br>- Lack of commonly shared mission & vision<br>- Unproductive jealousies amongst staff<br>- Network head office authority and functions not fully established<br>-Federated structure is new | **Not completely**<br>- Governing bodies largely comprised of illiterate members<br>- Organizational culture as obstacle<br>- Training needs to be more task oriented<br>- Final systems & procedures not finalized when training was held | **No**<br>-Inadequate control procedures in place & management capacity is lacking to fix<br>- Caisse level data not uniformly collected & sent to network level<br>- No internal audit function performed<br>- Surveillance Councils weak | **In some cases**<br>- Difficulty preparing annual reports for Ministry of Finance and BCEAO<br>- All BCEAO ratios not yet achieved<br>- Inactive or ineffective governing bodies<br>-Data-capture systems weak; no formal MIS. | **In Process**<br>-Dyna in process of subsidizing equipment and security enhance-ments for *caisses.*<br>RECEC has: network head office, caisse and guichet space; some computers<br>- Unable to equip self without subsidies | **No**<br>- Some *caisses* have an incomplete action plan but they don't follow it<br>- Network does not have business plan<br>- Nascent network with weak internal capacities and unable to develop one on own and implement it. |
| **If not, what should RECEC do to obtain / achieve it?**<br><br>**(Potential solutions and alternatives)** | - Prepare financial forecasts for all caisses and head office<br>- Set interest rates & fees to achieve full-cost coverage<br>-Recover delinquent loans<br>- Increase membership & mobilize savings<br>- Seek temporary donor subsidies if financial plan requires | - Team building<br>- Improved mechanisms to improve frequency & quality of communication between the network level & the *caisses*<br>- Need network-wide consensus on mission & strategic objectives | - Minimum job performance standards set & staff tested<br>- Individual training plans developed and implemented<br>-Performance reviews conducted – Network level training coordinator found | -Develop audit monitoring tools for Surveillance Council & find members with capacity to sit on it.<br>-Improve internal control procedures and formalize in manual<br>- Develop audit department at headquarters level | -Once accounting procedures & systems are in place, design a MIS that informs whether legal & financial norms are followed<br>- Improve Monitoring & Control systems<br>-Train where performance gaps exist | - Continue with Dyna subsidies by coming up with the 25% cost share Dyna requires<br>- Increase revenues to cover depreciation costs of fixed asset equipment | - Enlist outside consultant to develop business plan hand-in-hand with network management and in consultation with *caisses*<br>- Draft and finalize plan; unveil key points at General Assembly |